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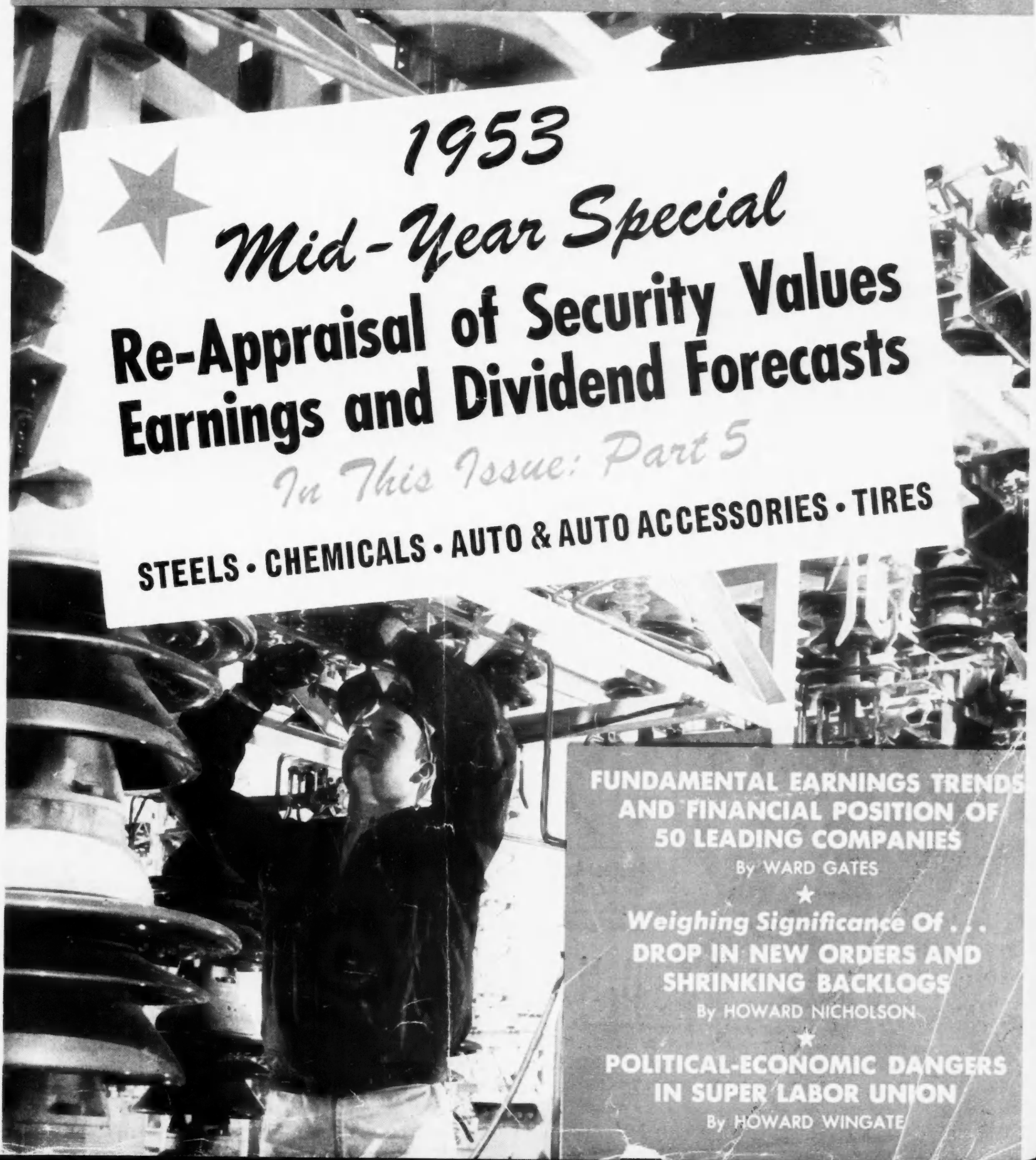

1953 Mid-Year Special

Re-Appraisal of Security Values Earnings and Dividend Forecasts

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By HOWARD WINGATE

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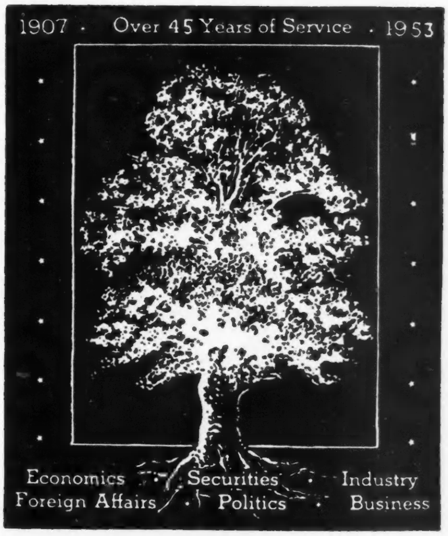
THE MAGAZINE OF WALL STREET
C. G. WYCKOFF, Editor-Publisher



The Trend of Events

THE "H-BOMB" AND THE DEFENSE BUDGET . . . With Russia in possession of the essentials of "H-Bomb" construction, there is a growing suspicion that our basic concept of global strategy to which we have been committed ever since the cold war started may have to be radically altered. As we study the implications of this latest Russian development, it is becoming obvious that our increased vulnerability to atomic air attack by Soviet bombers makes it more urgent than ever to widen the magnitude of our air defense to an extent that, as yet, is hardly conceived by the general public. This almost certainly will involve the expenditure of appalling large amounts to provide the necessary protection. Experts think that this will mean, for example, the construction of an immense radar system, extending far beyond our shores, and the rapid build-up of other essential forms of air defense, including specialized forms of aircraft.

The implementation of such a program would cost many billions of dollars but will probably have to be accomplished nevertheless in view of the enormously increased potentiality for destruction in the hands of the Russians. Since the government cannot now possibly find new funds for defense purposes without wrecking its plan for an ultimately balanced budget, it is likely that whatever new sums must now be found for air defense will have to be provided by sacrificing some part of existing commitments for the more conventional types of armaments. In this way, the government could facilitate its task of adjusting its defense plans to meet the new threat without at the same time increasing its total military expenditures.

FUNCTION OF RESERVES IN INVESTMENT PROGRAMS . . . The value of possessing adequate cash or equivalent reserves in portfolio management is well demonstrated in a period of declining prices. At such a time, reserves have two basic functions: one, to limit the risk of adverse fluctuation to that portion of equities which can be prudently held; and, second, to provide additional buying power when the time is deemed right for re-investment. These are fundamentals in the handling of investments and are an essential part of the basic technique of investment managers.

There is another and less obvious advantage. Incorporation of reserves into the structure of an investment portfolio as a permanent, rather than transient, feature not only tends to impart more stability to the total investment but provides the necessary practice in tight discipline so essential to good management. Probably more investors have come to grief through ignoring this principle than through mistakes in the selection of individual securities.

In applying this principle to portfolio management, the investor should be careful to be flexible in fixing the amount of reserves, depending on the level of securities at the time he makes his decision. At the end of a long rise in stocks, reserves should be proportionately high. After a long decline, reserves may

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

considerably lower.

The fixing of the amount of reserves required should be on a long-term basis. Hence, in the lifetime of an investment portfolio, changes in the percentage of reserves should occur only after very long intervals. For those whose objectives are of a comparatively short-term nature, fluctuations in reserves needed will be more rapid, depending on the direction of intermediate movements in the stock market.

SANITY IN TAXATION . . . The coming Congress must revise the federal tax structure from top to bottom!

The whole structure has been built up a piece at a time, on the principle of getting the most feathers with the least squawking, until it needs replacement rather than repair. Stresses will become greater after January, when the 10 per cent increase in personal income taxes, and the excess profits tax, once extended, are supposed to expire. Annual yield of these taxes is above $5 billion.

Another billion is involved in the so-called temporary increases in excise taxes. These are supposed to end in April. President Eisenhower has already spoken of reducing rather than ending them. It is to be hoped they will end.

Rationalizing the tax structure cannot be approached in a vacuum. In fiscal 1953, federal revenues were $9.4 billion less than federal spending. For the year just begun, appropriations are far below those suggested by ex-President Truman, and considerably below those requested by President Eisenhower. Some of the appropriations are unrealistic, however. They make insufficient provision for such mandatory items as tax refunds and the wage and construction cost equalization payments to shipping lines. These things swell deficiency appropriations later on.

The pressures which drove our level of economic activity even higher have abated, whether we are now to have a turndown or not. The durable goods boom, the housing boom, the capital investment boom, and government creation of imaginary money will no longer fuel the fire of inflation.

Hence it will be impossible to balance the budget simply by retaining the levies which it has been proposed to let lapse, or to raise higher the rates now imposed. The source of federal revenue on which we depend are inadequate and will become more so. Before a downturn comes, we must put ourselves on a sound footing.

A radical proposal for a solution is the general consumption tax. Legislators have been suffering from a superstition that a national sales tax is political death. Yet this idea was first propagandized by Fiorello LaGuardia, who then went home to New York from Congress and sponsored a city sales tax which has been a mainstay of New York's revenue ever since. Canada, with its enviable series of balanced budgets, relies largely upon a sales tax.

The usual cry raised against this form of tax is that is takes the burden off those most able to pay and puts it on those least able. This is arguable. A manufacturers' excise tax could be easily collected, and competition would keep the pyramiding effects no greater, at worst, than the like effect of high income levies now.

Among the needed revisions is liberalization of the capital gains tax. This has been proved a self-defeating tax and has had a harmful effect on investors with no discernible advantage to the Treasury.

Another thing that needs to be done is revision of the brackets into which personal income schedules fall. Here again the cry is that those most able to pay should pay. Actually, with wages and salaries in 1952 estimated at $175 billion, and proprietors' income at $38.7 billion, the ability to pay—not by individuals, but in total—obviously lies with the wage earner. Personal income taxes should be readjusted to get the money where the money is paid out.

Corporate incomes, at $20 billion or so in 1952, seem a tempting target for income taxation. This figure may not remain there forever. So far as we continue to rely on taxing corporate incomes, we should correct and clarify standards of what *is* income, and should certainly stop taxing the same income twice, preferably through a credit to the corporation for dividends paid out.

There are a number of other tax inequities which need correcting. The 15 per cent tax on passenger fares was enacted in wartime to keep non-essential travelers off the roads. Isn't it time we awoke to the fact it has outlived its day? Once the federal revenue machinery were in order, perhaps the gas tax could be left to the states. Some gentle persuasion would seem to be in order, in such a case, to correct the injustice of allowing the huge highway freighters to use some states' roads at a fraction of the ton-mile charge levied upon the owner of a popular-priced car driving 10,000 miles a year. These are merely a few examples of taxes that are out-of-date.

No doubt, the administrative machinery of the tax-collecting agency needs overhauling but far more important is an entire recasting of the tax laws as they stand. Many are out-dated and no longer perform useful functions. With the vast economic changes which have taken place in the nation in the past quarter century, it is time that taxes be levied on a realistic basis. This definitely requires an objective and scientific approach from which political considerations must be entirely eliminated.

RISE IN THE COST OF LIVING . . . The rise in the consumer price index for the month ending mid-July is the fifth in succession and has resulted in a new high. The latest figure has reached 114.7% of the 1947-1949 average, and is now approximately 12.7% above June 1950, when the Korean war started.

The new rise has again activated the "escalator" wage clause in labor contracts. Already it has brought pay boosts of one-cent an hour to almost one million workers, most of them in the automobile industry. The farm equipment workers are also affected and their wages are now in process of adjustment. In a few weeks, when the August 15 index is published and if, as seems likely, the figure holds to the recent peak, or increases, the pay of one million railroad workers will also have to be adjusted upward.

To what extent the consumers price index actually reflects month-to-month cost-of-living changes is difficult to determine but as long as the escalator labor clauses are in effect, there can be no stabilization of wages, which at this particular stage of our economy obviously increases the problem of cost control for business generally.

As I See It!

By JOHN CORDELLI

THE NATIONAL INTEREST WILL DETERMINE

Although we won the "battle of India" in the United Nations, our "allies," following their recent trend, deserted us, and left us undeservedly with a rather empty victory. This is unfortunate as it serves to widen the split between the United States and the rest of the free world. From such a situation only Soviet Russia can profit.

"BUCKING FOR MEMBERSHIP AGAIN"

Loring in The Evening Bulletin

Yet, in insisting on the exclusion of India from the political conference, whose first purpose is to make a peace in Korea, the United States was acting in accord with its solemn obligations to the Republic of Korea, whereas the large vote against our position indicates that other nations were, in effect, willing to repudiate their original stand in the United Nations resolution declaring North Korea – and later on, Communist China–aggressors. It is, therefore, certainly not we who need to explain our position before the world.

Great Britain, in particular, has taken a position in this matter which is especially offensive to the great majority of Americans. That government has blindly refused to recognize that we feel morally bound to honor our obligations to Korea and has ignored the deep hurt to America in the form of over 140,000 casualties. It is at least of some consolation to know that the British government has considerable opposition at home to its uncooperative attitude toward the United States on Asian problems. This was expressed recently by the Daily Express in London, an extremely influential organ, which stated that it understood the viewpoint of America regarding India as the latter had been evincing an unduly sympathetic attitude toward the Communist regime in China.

In expressing chagrin at the lack of cooperation from our Western European associates in the making of a durable peace in Korea, which could end satisfactorily from our viewpoint only in unification under Dr. Rhee, we should not at the same time fail to call attention to the confusion spread among Americans by such writers as Walter Lippman. This well-known commentator is extremely critical of the efforts of our government and in his own way has managed to weaken our case among our allies abroad. We doubt if he understands the real issues.

The plain facts of the matter are that the United States government is indeed deeply serious about achieving a peace in Korea but realizes that this is impossible without the full support of the South Korean authorities. Since that government had already expressed its hostility to inviting India – which it considers unfriendly – to the political conference there would be no point in our supporting the resolution in favor of India, unless we wished the conference to end before it began. Furthermore, any weakening on the part of the United States would have been notice to the world that we would not stand firm when the going got rough. It is, therefore, well that our spokesman, Ambassador Lodge, made our position clear for the record, even though he did not manage to secure the support of those who should have given it.

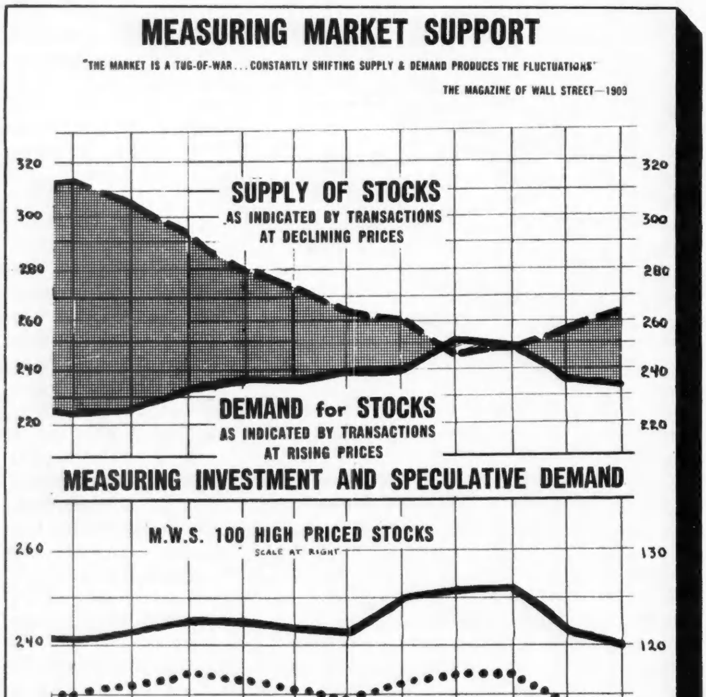
We have no fault to find with Britain or others who oppose the United States on issues which they deem affect their national self-interest. What we object to is that these governments are not frank in stating their opposition. If they took pains to disclose their aims and needs openly, they would naturally be less subject to the charge of hypocrisy in their dealings with us. Further, they would interfere less with us when we were making major efforts, as in this instance, to preserve our vital interests. They owe this much to us but so far it seems they are most reluctant to pay their debt.

Market in Important Transitional Phase

Most Divisions Have Been Losing Ground in Face of Good Earnings Reports. Volume Shows Signs of Expanding on Downside. Investors Reducing Commitments as Uncertainties Multiply. Soundest Investment Policy Continues To Demand Good Reserves. About 40% Suggested with Major Holdings in Soundest Equities.

By A. T. MILLER

The market has had a rather difficult time since our last review, Monday, August 17, and with the exception of the utilities has given a definitely negative performance. This is indicated by the Dow industrial averages which slipped off from 275.04 two weeks ago to today's 261.22. More interesting was the weakness in rails whose averages declined in the same period from 104.70 to 95.63, breaking the June lows. The utilities, on the other hand, acted comparatively firmly and their averages held at 49.60, only slightly down from two weeks ago at 50.77.



Most disappointing to those who follow chart formations was the consistent weakness of the rails. The feeling of discouragement induced by this negative rail action was accentuated through their failure to respond to the satisfactory July earnings reports, and to several important dividend increases.

Among the more significant features of the two weeks' decline was the obvious increase in selling pressure, reflected in rising transactions. Daily transactions. Daily transactions from around 1.4 million on days of weakness, compared with one million or less on feeble rallies. Apparently, at no stage has the market level been considered sufficiently attractive by investors to make them buy aggressively. This leads to the inference that investors and speculators, alike, are influenced by indications that business generally has reached its peak. This, in turn, has caused them to "lighten up." In today's trading, pressure became especially acute on a broader volume, affecting all classes.

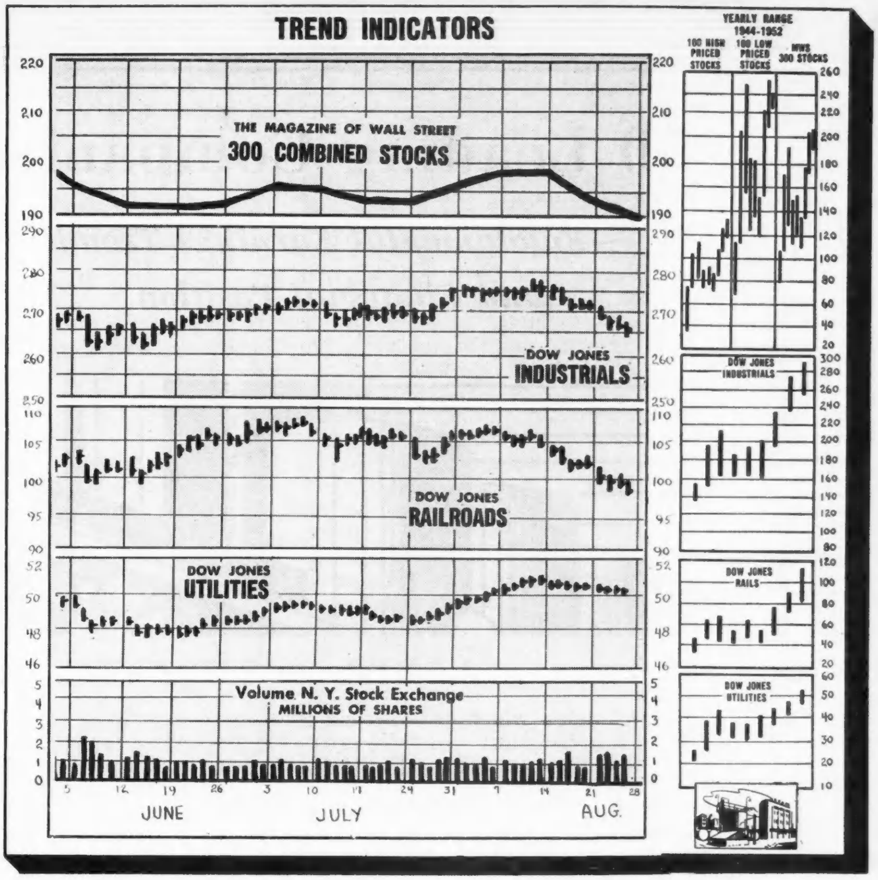
The Testing Area

In the past two weeks, the market has been in process of a tentative test of the June 10 lows. This definitive test is now being met, although the Dow rail averages have already broken their June lows of 99.22. The industrial averages have a little more leeway at the moment and are approximately a half point above the June low point of 260.89. Nevertheless, the support point of 260-262 is disconcertingly near, and could be subject to test in short order.

The lowest point the market reached in 1952 was on Oct. 23 when the Dow industrial averages sank to 262.01. Last June, they almost pierced this level with the averages dropping to 262.88. The recent almost 15 points drop, therefore, brings the current industrial average within hailing point of this low.

Clues to possibilities of breaking below this average are found in the shallowness of the rally after the June break and in the failure of transactions to ex-

pand during that period. The impression of a potentially strong downward pull is further strengthened by the increased volume on days of weakness. This impression is again magnified through the less selective character of individual market trends than has been true in recent years, except during similar periods of more or less acute weakness. This is partially indicated through the market predominance of individual lows as against rare highs, illustrating the fact that poor market action is now quite uniform, the utilities excepted.



The above analysis is based on purely technical considerations. So far as fundamental factors are concerned, the market is paying increasing attention to developments within the basic manufacturing industries, particularly steel and automobiles. (Both of these important industries are separately analyzed elsewhere in this issue.)

As industrial bell-wethers, the steel and automobile industry trends are of especial importance at this time. It is generally realized that the outlook for the automobile industry has already been dimmed as indicated by specific recent developments within the industry. The steel industry, while still active, apparently is nearing a downturn. Most investors believe that these incipient recessionary tendencies will spread into business generally. Hence, their attitude of increasing wariness, expressed in a growing tendency to lighten up.

How far this negative tendency in the stock market is likely to spread is impossible to determine. All that can be done is to indicate the possibilities, if not the probabilities. Based on the forces now operative in the stock market and which have been described in the above, there is no reason to believe that the transition has been completed.

The Soundest Investment Policy

The imponderables in the situation derive from the unknown nature of the "peace" which seems in the making. Investors are asking themselves the question: how substantial will the necessary adjustments be should a more peaceful era emerge? As long as they are in doubt as to the outcome, they are likely to adopt a more cautious attitude.

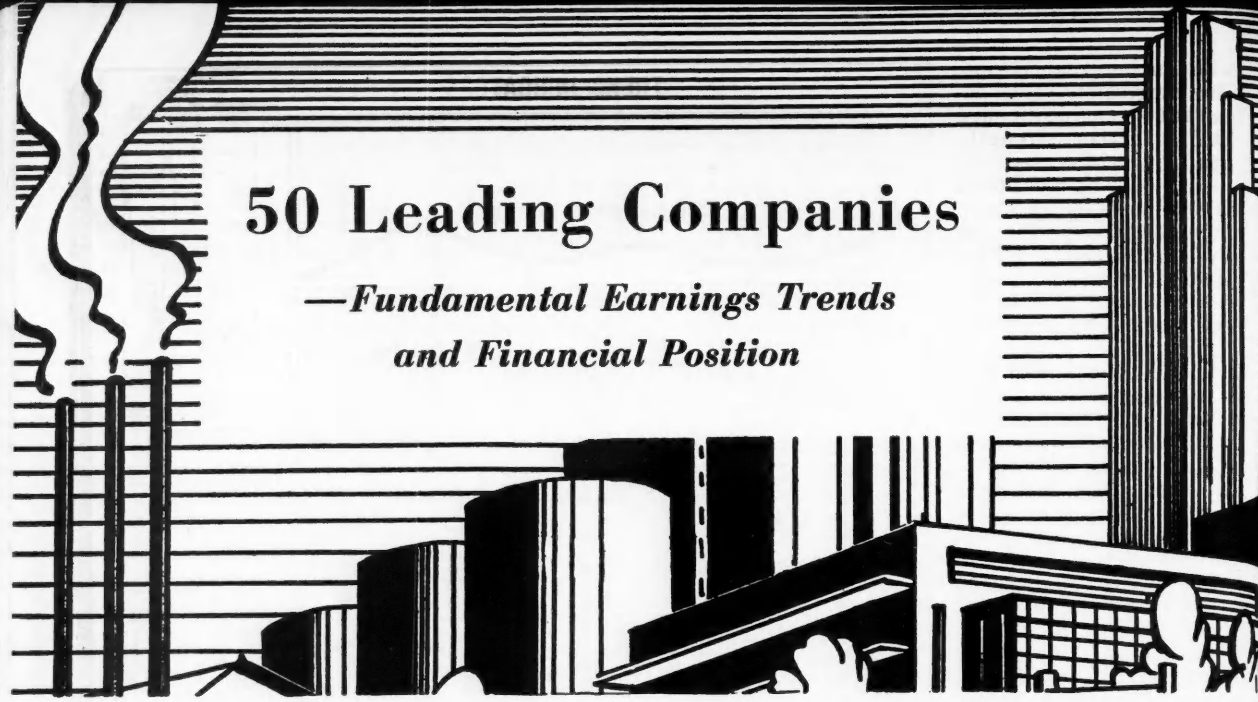
However, regardless of how real or how prolonged the "peace," investors can achieve a greater feeling of assurance if they will retain the best type of equity, which in the long run will do as well in peace as in war; dispose of the weaker equities and at the same time maintain an adequate reserve to meet any contingencies and with which to re-invest in sound stocks when the market has reached a greater degree of stability than is true at present.

Market Looking Ahead

What the market is attempting to do is to bring stock prices into better relation with realistic earnings and dividend prospects looking ahead to 1954. In this process, it will always accord preference to the stocks of the more solidly entrenched companies. While these issues are also temporarily affected by the general mood of skepticism, they should reach a point of stability much sooner than the rest.

What the investor obtains in issues of those classification is an inherent earning power, demonstrated in times of uncertainty as well as in more prosperous times. As a result, they generally have long dividend records. Following the rather extensive decline since this year's peak, some of these issues are commencing to approach a level which is more commensurate with real values than has been the case in recent times. For investors who require the utmost in protection, it would be advisable to concentrate only on the most proven of these issues.

As for the secondary and, especially, "marginal" companies, we repeat again that in a business downturn they would compare unfavorably with the stronger companies. It would be wise for investors to review these holdings, disposing of those that seem particularly vulnerable. Monday, August 31.



50 Leading Companies

—*Fundamental Earnings Trends and Financial Position*

PART I **By WARD GATES**

The 50 companies with which this article is concerned represent the broadest possible cross-section of America's leading corporations. Naturally, there is a constant and enduring interest in their affairs from the investment viewpoint. This is also a logical consequence of the widespread distribution of stock ownership in these companies.

While some may take exception to the inclusion of several of the companies listed, preferring others of obvious equal prominence in their place, we believe that most of our readers will agree that we have made substantially the correct choice.

The importance of the fifty is not only that, combined, they do the bulk of the nation's business—the 25 appearing in the first section of the table alone doing an annual business of close to $50 billions a year—but that the basic trends of their earnings and financial position constitutes by far the most powerful force in the investment markets of this country. Consequently, any light which can be cast on the fundamental trends within these great corporations is of the utmost practical importance to the investment community.

In order that the investor be furnished with the necessary information on the underlying trends of these fifty corporations we have undertaken the ambitious but rewarding task of tabulating the essential data relating to their post-war earnings and finances. These figures will be found in the accompanying tables. (Please see note below).

The corporation records are treated from the standpoint of, first, earnings and related data and, second, financial position. In this section of the article, the basic factors involving earnings trends are enumerated and in the succeeding article (Sept. 19 issue) we will analyze the broad influences governing working capital and liquidity changes. The composite analysis, in conjunction with the tables, while sketched briefly, should give readers a sufficient working knowledge of the underlying trends so that it can be applied to a practical view of the longer-term trends ahead.

NOTE: *This article is in two installments, the next one following in the succeeding issue. Tables are arranged alphabetically, the first half appearing on pages* 646-647, *the balance in the Sept.* 19*th issue.*

In view of the great mass of detail in the tables, and for lack of space, we were compelled to publish them in two installments. These tables are intended for permanent reference and it is suggested that, on account of their special value, they be retained.

The impressive seven-and-a-half record of sales, profit margins, and earnings of the fifty companies listed in the table shows that these concerns share two common characteristics: first, they are unusually responsive to a favorable turn in the general economic trend and, second, they possess far-above-average powers of resistance to downturns in business. By sheer weight of resources, aided by top-flight management, they typify the essential power and solidity of the great American business concern. In this way, they have developed an aura of permanence and a reputation for the greatest long-term accomplishment for their shareholders. Other companies have had greater relative success for brief periods but few have matched their steady, fundamental expansion.

This entrenched position is well illustrated by their remarkable post-war earnings record; and is systematically described in the following:

The Sales Record

From 1946, the first full post-war year, until the first half of 1953, annual sales for individual companies have advanced from 50% in the case of American Tobacco to almost 300% in the case of General Motors. Boeing's spectacular rise of 6500%

is not comparable as that company, largely devoted to military business, had lost virtually all of it at the end of World War II. Gains in sales in recent years obviously have been due largely to resumption of defense orders from the government.

Aside from the effect of such general factors as the rise in prices (approximately one-third from 1946 to date), government spending and the expansion of the national economy, in which all American business has shared, and which has benefited most companies in varying degree, special influences which have contributed to the underlying long-term upward trend of sales of our fifty companies are described below:

The development of new plant capacity, modernization of old facilities, acquisition of new equipment on a very large scale, expansion of research and increase in the number of new products, the enlargement of raw materials resources, expansion of new markets serviced by more effective and economical transportation have all played a part. Each of these considerations has been given full weight by the corporations, the total effect of which has been to widen the base of their operations to an unbelievable degree. This has assured continuity of programming for long-range objectives. It is probably safe to say that as a result of these efforts, each of the corporations enumerated has placed itself in a position of immense potential strength not only for the present but a decade and more hence.

The development of these massive programs has entailed the expenditure of vast sums for each of the companies. To cite a few examples: American Telephone, over $6 billion; Standard of New Jersey (appears in next issue's installment of table) $2.5 billion; Bethlehem, duPont and Union Carbide, over $500 million apiece.

The corporations, unquestionably, have been deeply influenced by economic developments flowing out of the outbreak of the Korean war, principally the broad fluctuations in world prices and government spending for defense. It was to be expected, therefore, that their sales would respond immediately to the dynamism created by the Korean interlude. In this respect, they far outshone the lesser companies. Of equal consequence to investors is the fact that they showed marked powers of resistance when the general economic tide waned as in 1949. That year represented a reactionary phase in American business and was the inevitable consequence of the enormous upsurge of pent-up buying which directly followed the end of World War II. Nevertheless, it is significant that where declines in sales occurred among the fifty, they were relatively small for the most part and fully half continued to show gains, regardless of the general trend. In any case, due to rigid cost control, profit margins were satisfactorily maintained even in this irregular business period.

Trend in Profit Margins

A glance at the table will show that a definite pattern prevails with regard to the trend in net profit margins. This trend is of the highest importance for all corporations as it indicates the underlying capacity to control costs, aside from taxes, and therefore to generate earnings and, hence, dividends, for the shareholders.

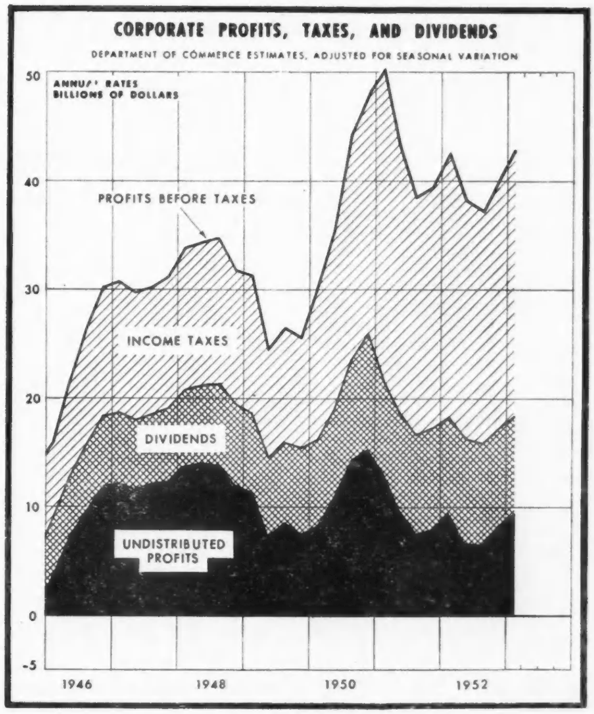
The comparative steadiness of the net profit margin for practically all the corporations listed is, therefore, a noteworthy feature. The only exception was in 1951, due largely to the direct and indirect effects of the steel strike. Normally, however, profit margins have been relatively well maintained. This has been reflected in higher earnings on the increased volume of sales. Even where profit margins have decreased, the net effect has been absorbed through a proportionate rise in sales such as has occurred for the fifty companies. In this vital respect, the great corporations differ from those in a secondary or marginal position, since their firm control of costs enables them to hold an adequate profit margin even when sales do not increase.

The net profit margin is heavily affected by the extent to which earnings are subject to federal and other taxes. This has been especially true ever since the tax measure of 1951, which raised corporate taxes from 47% to 52% and revived the excess profits tax. The true earning power of corporations, therefore, has been obscured by the intense effect of corporate income taxes. Nevertheless, this factor is an essential element in computing the actual profits available for dividends and other corporate purposes. It is all the more remarkable that the fifty corporations should have been able to retain such a large portion of their normal profit margin—in many cases, enjoying increases—considering the impact of taxes on their earnings. It only remains to be said that in the event corporate taxes were lowered, the effects would be immediate in raising the net profit margin.

The Trend in Earnings

The table shows that, allowing for normal fluctuations, the base earning power of practically all corportions listed, has widened to a considerable extent throughout the period from 1946 to date. There

(*See tables on pages* 646 *and* 647 *then please turn to page* 692)



CORPORATE PROFITS, TAXES, AND DIVIDENDS
DEPARTMENT OF COMMERCE ESTIMATES, ADJUSTED FOR SEASONAL VARIATION

Post-War Record of 50 Leading Companies

	1946	1947	1948	1949	1950	1951	1952	1st Half 1953
ALLIED CHEMICAL—Sales (mil. $)	$ 280.9	$ 365.9	$ 387.7	$ 363.7	$ 408.0	$ 502.0	$ 490.1	$ 271.6
Net Profit Margin (%)	9.5	9.2	8.1	10.2	10.1	8.0	8.2	8.0
Earnings Per Share ($)	3.01	3.42	3.58	4.10	4.65	4.58	4.55	2.45
Dividends Per Share ($)	2.00	2.25	2.25	2.50	3.00	3.00	3.00	1.20
Working Capital (mil. $)	245.9	256.3	268.1	283.1	297.8	311.7	325.5	—
Liquidity (%) (*)	76.3	69.4	62.2	64.9	65.1	57.2	50.4	—
ALUMINUM CO. OF AMER.—Sales (mil. $)	298.7	381.4	435.5	343.9	476.2	534.5	577.7	361.4
Net Profit Margin (%)	8.0	7.9	9.1	7.4	9.8	7.3	7.5	7.5
Earnings Per Share ($)	1.85	2.82	3.83	1.89	4.54	3.77	4.19	2.64
Dividends Per Share ($)	1.00	1.00	1.00	1.00	1.00	1.37	1.50	.77
Working Capital (mil. $)	129.0	122.8	130.1	107.6	126.4	68.3	98.6	—
Liquidity (%) (*)	26.3	26.8	32.7	22.2	22.7	26.0	18.7	—
AMERICAN CAN—Sales (mil. $)	258.0	338.1	409.5	468.3	555.2	570.0	621.6	278.7
Net Profit Margin (%)	3.4	5.7	5.5	5.9	6.1	5.2	4.4	4.4
Earnings Per Share ($)	.85	1.66	2.02	2.50	3.17	2.75	2.25	1.01
Dividends Per Share ($)	.75	.75	1.00	1.00	1.25	1.25	1.26	.70
Working Capital (mil. $)	64.1	62.5	59.0	54.8	54.9	93.0	133.0	—
Liquidity (%) (*)	31.1	27.3	16.5	16.3	14.1	11.2	17.4	—
AMERICAN TEL. & TEL.—Revenue (mil. $)	2,093.6	2,224.5	2,624.8	2,893.2	3,261.5	3,639.4	4,039.6	2,160.2
Net Profit Margin (%)	9.9	7.2	8.4	8.0	10.6	10.0	10.0	10.7
Earnings Per Share ($)	10.12	7.50	9.52	9.22	12.12	11.00	10.43	5.84
Dividends Per Share ($)	9.00	9.00	9.00	9.00	9.00	9.00	9.00	4.50
Working Capital (mil. $)	188.0	325.8	186.6	23.2	.04	87.1	223.2	—
Liquidity (%) (*)	53.2	57.0	52.8	44.1	43.8	53.8	57.0	—
AMERICAN TOBACCO—Sales (mil. $)	764.1	819.6	873.4	858.9	871.6	942.5	1,065.7	524.7
Net Profit Margin (%)	8.4	8.3	9.9	10.1	8.9	6.5	3.2	3.1
Earnings Per Share ($)	5.96	5.70	7.58	7.90	7.17	5.57	4.79	2.32
Dividends Per Share ($)	3.25	3.50	3.75	4.00	4.00	4.00	4.00	2.50
Working Capital (mil. $)	318.6	366.7	441.4	450.8	459.6	456.0	551.2	—
Liquidity (%) (*)	4.0	3.6	2.9	3.1	3.7	4.7	3.7	—
AMERICAN VISCOSE—Sales (mil. $)	138.8	200.5	242.1	194.6	267.4	269.8	235.1	119.0
Net Profit Margin (%)	8.5	9.2	12.0	10.3	12.4	8.5	8.9	6.8
Earnings Per Share ($)	2.60	4.23	6.82	4.66	7.83	5.37	4.88	1.85
Dividends Per Share ($)	1.00	1.00	2.25	2.00	2.00	2.50	2.50	1.00
Working Capital (mil. $)	70.4	69.5	82.4	87.3	106.8	110.4	82.5	—
Liquidity (%) (*)	63.4	60.8	59.1	60.1	67.6	60.1	48.5	—
ANACONDA COPPER—Sales (mil. $)	293.7	382.2	425.0	334.1	422.9	459.5	478.1	—
Net Profit Margin (%)	8.1	11.4	12.5	8.1	11.0	10.9	8.3	—
Earnings Per Share ($)	2.75	5.02	6.16	3.14	5.38	5.79	4.61	2.01
Dividends Per Share ($)	2.50	3.00	3.50	2.50	3.00	3.50	3.50	1.50
Working Capital (mil. $)	180.5	199.1	218.7	199.8	200.9	178.0	188.5	—
Liquidity (%) (*)	58.4	53.2	56.8	52.1	58.5	51.3	42.9	—
ATCH. TOP. & ST. FE—Revenues (mil. $)	411.6	462.7	526.7	482.7	522.6	570.5	604.5	309.6
Net Profit Margin (%)	9.4	10.3	11.9	10.3	15.7	12.8	11.7	12.3
Earnings Per Share ($)	6.76	8.55	11.66	9.03	15.65	13.83	13.29	7.21
Dividends Per Share ($)	3.00	3.00	4.00	4.00	4.25	4.50	5.75	2.50
Working Capital (mil. $)	125.9	135.2	137.3	109.9	129.1	121.5	109.9	—
Liquidity (%) (*)	65.0	62.2	60.7	60.5	60.5	53.4	58.2	—
BETHLEHEM STEEL—Sales (mil. $)	787.7	1,032.3	1,312.5	1,266.8	1,439.8	1,793.0	1,691.7	1,056.2
Net Profit Margin (%)	5.3	4.9	6.8	7.8	8.5	5.9	5.3	5.6
Earnings Per Share ($)	11.79	4.98	9.36	9.68	12.15	10.43	8.80	5.87
Dividends Per Share ($)	2.00	2.00	2.40	2.40	4.10	4.00	4.00	2.00
Working Capital (mil. $)	308.1	290.1	280.6	382.4	401.1	464.3	499.6	500.0
Liquidity (%) (*)	55.6	44.0	37.5	52.7	49.4	54.2	47.3	—
BOEING AIRPLANE—Sales (mil. $)	13.9	21.7	126.9	286.7	307.2	337.3	739.0	418.9
Net Profit Margin (%)	(d) 2.3	2.0	1.3	1.5	3.5	2.1	1.9	2.2
Earnings Per Share ($)	(d) .20	(d) .28	1.04	2.72	6.67	4.40	8.67	5.65
Dividends Per Share ($)	.66	.66	.66	1.36	2.00	2.00	2.67	1.00
Working Capital (mil. $)	43.6	39.3	38.2	40.2	45.9	45.8	50.6	—
Liquidity (%) (*)	53.2	16.1	14.3	24.3	22.3	14.6	15.4	—
CHRYSLER CORP.—Sales (mil. $)	870.0	1,362.6	1,567.9	2,084.6	2,190.6	2,546.6	2,600.9	1,874.2
Net Profit Margin (%)	3.0	4.9	5.6	6.3	5.8	2.8	3.2	2.3
Earnings Per Share ($)	3.09	3.86	10.25	15.19	14.69	8.27	9.04	5.07
Dividends Per Share ($)	1.50	2.00	4.00	5.25	9.75	7.50	6.00	3.00
Working Capital (mil. $)	187.2	217.0	230.6	339.8	333.9	249.5	223.8	—
Liquidity (%) (*)	50.0	57.0	52.2	63.8	61.6	34.1	28.3	—
CONSOL. EDISON—Revenues (mil. $)	313.1	335.8	370.8	366.3	392.7	417.6	435.0	—
Net Profit Margin (%)	11.5	9.7	9.9	9.5	9.9	9.3	10.3	—
Earnings Per Share ($)	2.20	1.90	2.31	2.22	2.44	2.26	2.63	—
Dividends Per Share ($)	1.60	1.60	1.60	1.60	1.70	2.00	2.00	1.10
Working Capital (mil. $)	82.8	23.7	16.2	29.9	(d) 24.2	23.0	16.1	—
Liquidity (%) (*)	63.7	31.3	31.4	35.9	24.0	24.6	24.2	—

(*)—Ratio between cash and marketable securities and current assets. NOTE—Table to be completed next issue.

Post-War Record of 50 Leading Companies (Continued)

	1946	1947	1948	1949	1950	1951	1952	1st Half 1953
DOW CHEMICAL—Sales (mil. $)	$ 130.4	$ 170.6	$ 200.3	$ 220.8	$ 339.5	$ 407.1	$ 430.3	—
Net Profit Margin (%)	9.7	12.3	12.6	15.3	12.1	8.8	8.3	—
Earnings Per Share ($)	.77	1.24	1.48	1.80	2.00	1.65	1.58	—
Dividends Per Share ($)	.25	.14	.33	.53	.80	.80	.80	—
Working Capital (mil. $)	33.0	56.0	49.6	63.4	31.0	39.4	127.4	—
Liquidity (%) (*)	18.1	27.4	19.7	40.3	34.2	48.3	62.1	—
DU PONT—Sales (mil. $)	648.7	783.4	968.7	1,024.7	1,297.4	1,531.1	1,602.2	902.1
Net Profit Margin (%)	17.0	15.0	16.1	20.7	23.4	14.2	13.8	12.7
Earnings Per Share ($)	2.36	2.47	3.28	4.52	6.58	4.64	4.70	2.41
Dividends Per Share ($)	1.75	2.00	2.43	3.40	5.35	3.55	3.55	1.70
Working Capital (mil. $)	264.2	331.3	325.2	368.3	412.3	424.4	487.6	539.6
Liquidity (%) (*)	51.5	48.3	41.3	51.2	46.5	38.5	43.5	43.7
EASTMAN KODAK—Sales (mil. $)	274.7	351.7	435.3	396.2	461.3	542.2	575.0	—
Net Profit Margin (%)	12.9	12.2	12.7	12.5	13.4	9.0	7.9	—
Earnings Per Share ($)	2.85	3.46	4.11	3.80	4.50	3.23	2.74	—
Dividends Per Share ($)	1.40	1.55	1.65	1.70	1.70	1.80	1.80	—
Working Capital (mil. $)	114.8	120.7	129.0	127.3	156.7	169.4	179.8	—
Liquidity (%) (*)	41.6	35.1	34.6	34.6	35.2	25.2	29.3	—
GENERAL ELECTRIC—Sales (mil. $)	911.0	1,525.2	1,864.9	1,850.7	2,232.8	2,618.5	2,623.8	1,560.4
Net Profit Margin (%)	4.8	6.6	7.0	7.0	7.9	5.1	5.7	4.8
Earnings Per Share ($)	1.52	3.51	4.63	4.36	6.01	4.79	5.26	2.61
Dividends Per Share ($)	1.60	1.60	1.70	2.00	3.80	2.85	3.00	1.50
Working Capital (mil. $)	418.9	420.1	438.9	448.9	388.4	403.6	398.7	—
Liquidity (%) (*)	27.6	25.6	26.9	42.9	36.3	20.5	36.0	—
GENERAL FOODS—Sales (mil. $)	330.8	407.2	463.3	474.6	580.2	632.5	755.9	—
Net Profit Margin (%)	6.3	4.4	5.2	5.7	4.4	3.2	3.2	—
Earnings Per Share ($)	3.79	3.19	4.25	4.77	4.58	3.52	4.31	—
Dividends Per Share ($)	2.00	2.00	2.00	2.25	2.30	2.40	2.40	—
Working Capital (mil. $)	111.0	118.9	125.6	125.3	132.3	166.9	174.6	—
Liquidity (%) (*)	13.4	15.0	18.4	14.4	9.3	21.6	24.4	—
GENERAL MOTORS—Sales (mil. $)	1,962.5	3,815.1	4,701.7	5,700.8	7,531.0	7,465.5	7,549.1	5,440.5
Net Profit Margin (%)	4.4	7.5	9.3	11.5	11.0	6.7	7.4	5.7
Earnings Per Share ($)	.88	3.12	4.86	7.32	9.38	5.64	6.26	3.52
Dividends Per Share ($)	1.12	1.50	2.50	4.00	6.00	4.00	4.00	2.00
Working Capital (mil. $)	768.7	865.3	1,086.6	1,265.9	1,506.2	1,456.7	1,001.2	1,361.5
Liquidity (%) (*)	30.5	34.8	46.5	44.4	42.1	24.4	14.5	14.5
GOODRICH, (B. F.)—Sales (mil. $)	349.9	390.7	398.4	364.5	514.5	599.2	624.1	350.3
Net Profit Margin (%)	7.2	5.9	5.9	5.7	6.7	5.8	5.2	4.8
Earnings Per Share ($)	5.89	5.39	5.32	4.79	8.06	8.15	7.60	4.03
Dividends Per Share ($)	1.50	1.66	1.83	1.83	2.16	2.50	2.65	1.30
Working Capital (mil. $)	109.3	124.5	138.9	151.4	161.8	178.4	197.1	—
Liquidity (%) (*)	16.2	14.8	15.0	25.0	15.7	36.3	26.6	—
GOODYEAR TIRE & R.—Sales (mil. $)	616.5	670.7	704.8	633.5	845.1	1,101.1	1,138.4	616.3
Net Profit Margin (%)	5.8	3.8	3.4	3.1	4.1	3.3	3.4	3.7
Earnings Per Share ($)	8.03	5.46	5.12	4.20	7.81	8.18	8.30	4.93
Dividends Per Share ($)	2.00	2.00	2.00	2.00	2.50	3.00	3.00	1.50
Working Capital (mil. $)	174.5	243.0	256.1	262.0	289.1	399.4	397.2	392.1
Liquidity (%) (*)	22.7	26.8	25.9	32.4	21.8	25.2	9.3	6.4
GULF OIL—Sales (mil. $)	562.2	797.2	1,068.8	969.5	1,150.0	1,439.3	1,528.8	798.2
Net Profit Margin (%)	10.3	11.9	14.3	10.4	9.6	9.7	9.2	9.4
Earnings Per Share ($)	3.21	5.26	6.76	4.45	4.90	6.17	6.01	3.21
Dividends Per Share ($)	1.25	1.37	1.50	1.87	2.00	2.75	2.00	1.00
Working Capital (mil. $)	83.2	129.5	213.4	205.8	255.6	325.7	366.8	—
Liquidity (%) (*)	26.0	31.3	38.2	34.0	43.8	47.4	49.7	—
INTER. BUS. MACH.—Sales (mil. $)	119.4	144.5	161.9	183.4	214.9	266.7	333.7	199.6
Net Profit Margin (%)	15.7	16.2	17.3	18.1	15.4	10.4	8.9	7.8
Earnings Per Share ($)	7.48	9.36	11.21	12.64	12.05	9.61	9.81	4.87
Dividends Per Share ($)	3.40	3.40	4.00	4.00	4.00	4.00	4.00	2.00
Working Capital (mil. $)	13.2	25.3	41.3	32.4	33.7	45.0	66.7	—
Liquidity (%) (*)	30.8	42.9	53.5	45.1	41.7	54.6	45.2	—
INTER. HARVESTER—Sales (mil. $)	482.3	741.2	945.4	908.9	942.6	1,277.3	1,204.0	674.9
Net Profit Margin (%)	4.6	6.5	5.8	6.7	7.0	4.9	4.6	3.8
Earnings Per Share ($)	1.30	3.45	3.02	4.36	4.72	4.36	3.76	1.72
Dividends Per Share ($)	1.21	1.35	1.70	1.70	1.95	2.30	2.00	1.00
Working Capital (mil. $)	270.0	233.3	241.4	225.9	229.8	241.9	495.4	—
Liquidity (%) (*)	44.7	32.5	22.4	28.5	31.4	29.7	31.3	—
INTERNATIONAL NICKEL—Sales (mil. $)	133.1	166.3	197.0	182.8	228.0	286.7	314.2	176.1
Net Profit Margin (%)	22.3	20.1	19.8	17.6	21.3	21.9	18.7	16.5
Earnings Per Share ($)	1.90	2.16	2.55	2.08	3.21	4.18	3.91	1.94
Dividends Per Share ($)	1.60	2.00	2.00	2.00	2.00	2.60	2.60	1.00
Working Capital (mil. $)	137.9	144.0	151.5	137.4	150.3	165.9	178.0	188.8
Liquidity (%) (*)	60.9	57.9	53.3	46.4	53.4	49.6	43.2	44.8
INTERNATIONAL PAPER—Sales (mil. $)	287.8	405.2	458.8	415.5	498.4	637.3	631.4	337.7
Net Profit Margin (%)	10.8	10.4	10.5	12.4	13.3	8.9	8.2	8.4
Earnings Per Share ($)	4.25	5.82	6.68	7.12	7.39	6.28	5.75	3.16
Dividends Per Share ($)	1.50	2.00	2.50	2.50	2.75	3.00	3.00	1.50
Working Capital (mil. $)	63.0	68.0	85.9	97.2	110.3	106.4	125.2	—
Liquidity (%) (*)	29.1	22.1	20.5	27.6	34.5	23.0	28.8	—

(*)—Ratio between cash and marketable securities and current assets. NOTE—Table to be completed next issue.

The two great labor groups—AFL and CIO—with their 15 million members, after abortive earlier attempts, have again agreed on a program of unity. How far this can go is traced in this able article. Meanwhile, chronic rivalries such as between the three labor leaders here depicted—Meany of AFL, Reuther of CIO and Lewis of the UMW are a roadblock to a final merger.

Political-Economic Dangers in Super Labor Union

By HOWARD WINGATE

The shadow of a well integrated labor party has moved across the American scene intermittently for a hundred years but always has passed away as cloud shadows flit across a field on a breezy day. Sometimes the shadow is heavier than the others; sometimes it lingers longer. Not yet in our history has it gathered sufficient density and permanence seriously to suggest substantial control of the Government. This experience is in sharp contrast to the experience of Great Britain where twice a British Labour Party has become the Government and to the experience of France where, if labor has not won control, it has prevented any other party from obtaining dominance.

In recent months, even weeks, it has seemed that labor aspirations to unite might be close to realization. But at this writing there is strong evidence that effectual unity is as far away as ever despite the circumstance that both great labor organizations have very recently, through their executive bodies, solemnly adopted measures resolving upon amalgamation.

Individualism Still Potent

The curious phenomenon in the situation is that the dispersive forces arise not from pervasive differences among the great body of organized labor so much as from individual, far-reaching rivalries. Much has been written by historians and essayists about the individual character of the typical American citizen and about how that character can be depended upon to bring the emergence of conspicuous figures. In no walk of industry or politics has there been more conspicuous exemplification of this phenomenon than in the field of organized labor!

Because of the importance of individuals in the American labor movement, there is far less likely to develop a labor party strong enough to seize the Government here as there was in England. England has had notable individuals in its organized labor growth but it is more than questionable if any one or any number of labor leaders as such brought the Labour Government to power. Trade unionism was the vehicle but the propagating force came from those usually described as the intellectuals. Sidney and Beatrice Webb who did not belong to a labor class at all; H. G. Wells, Bernard Shaw and Stafford Cripps had far more to do with the labor unity in Britain that finally achieved control than such labor figures as Kier Hardie, Philip Snowden and Ernest Bevin — men who had risen from lives of bitter toil.

The result of the rise of the British Labour Party and its political implications are all too well known. From the very first the intention of the Fabians was to use labor to create a socialist state. But the term 'socialism' carried certain connotations which were not popular with the rank and file of British workers; it smacked too much of Continentalism; in short was not English. So the name Labor Party was stressed rather than Socialist Party. G. D. H. Cole, the British econimst, observes:

"They (the Socialists) hoped that if they could get the trade unions to collaborate with them, the rest of what they wanted would speedily follow. The Socialist tail would be strong enough to wag the Trade Union dog."

Political maneuvering brought in not a few members of the old Liberal Party and so, almost imperceptibly, the Socialists succeeded in establishing the first welfare state under Ramsay MacDonald. The hold was tenuous and did not last long but the groundwork had been laid for the eventual complete Labour Party victory at the end of the Second World War. The Liberal Party had been completely swallowed, the Conservative Party overcome and England embarked upon a Socialist-directed labor dictatorship which has brought the Nation to bankruptcy and demoted it to a second class if not a third class power in the world!

The story of the rise of French labor is scarcely parallel. Since the days of the French Revolution there have been ever present the seeds of revolt and the French, being a far more volatile people – especially the working classes of the industrial cities – than either the British or the American, there have been many sudden disorders and political overturns. The Socialist Party has long had strength in the Deputies. The collapse of France in the Second World War brought to the working classes abject poverty.

Communist Element in France

And always in France, in contrast to the United States and Britain, there has been a large Communist element. It cannot be said that there has been in France a rise of a labor party comparable to the rise of the British Labour Party or the organized labor movement in the United States. There has not been the same continuity. Morever, there has been the vexed question of taxes. The French industrialist, the French peasant and the French rentier have been extraordinarily successful in resisting taxation. The result has been that the French workman has been forced to bear a disproportionate share.

To such an extent as could be made enforcible, workmen's taxes have been subjected to a withholding or check-off when working for a private employer and when the workman is employed by the Government the check-off is absolute. The tax is deducted each week or fortnight; that is, each payday, without recourse. As the Government employs all the railroad workers, most of the utility workers, the post office, communications and some government-monopolized industry, there is extensive coverage.

While it is true that recent weeks have seen what appears to outside eyes a definite revolt against the French Government on the part of the strikers in protest against fiscal and allied policies, it scarcely can be regarded as a political revolt of a labor party against an adversary party in office. With the Government collecting the insistent tax on the one hand and attempting to effect economies involving wage reductions on the other, the strikes constitute a revolt of the hungry more comparable to the bread riots and the rise of the French Revolutionists against the aristocracy in an early period. Strained as the statement may at the moment sound, it is quite conceivable that the French strikers have made a less fundamental assault upon the historic French economic structure than the British Labour Party has made upon the traditional British economic structure!

American Industrialists Start from Labor Ranks

The circumstance that the United States has seen no such rise of a labor party to substantial political power is doubtless due to wide diversity of leadership and to no slight extent to the far greater opportunities for individual reward obtaining here. Men who in a fixed society of the European type might have risen to be great crusading labor leaders have instead become great industrialists. It has been the exception, over the last century, for the man of a European country, born into a labor class to become a large or even a small employer. In the United States most successful industrialists started in the ranks of labor. Lacking the opportunity to change their relative positions, they might have become powerful labor leaders, bringing a labor party to supreme governmental power. But they took the other pathway when opportunity afforded. This left fewer of heroic stature remaining in the labor ranks and those have tended to rivalry rather than to collaboration!

Working men have sought to combine to improve their wages and working conditions since the very dawn of the industrial revolution. Employers have resisted such efforts step by step and, having economic advantages and the forces of government, especially the courts, on their side, have most of the time been successful. Yet it has continued to be a rear guard action on the part of the employers with labor, especially in the United States, sporadically advancing.

The first definite attempt to use organized labor politically came in 1828 when the Workingmen's Party was formed in Philadelphia. It expired in 1832.

It was in 1869 that the Noble Order of the Knights of Labor was organized at Philadelphia. Uriah S. Stevens with members of a garment makers union were the founders. Starting as a secret society with a ritual which had deep political implications, the Knights steadily expanded taking workers in all crafts and even members of professions. By 1886 the Knights claimed (*Please turn to page* 693)

Affiliation and Growth of Leading Labor Unions

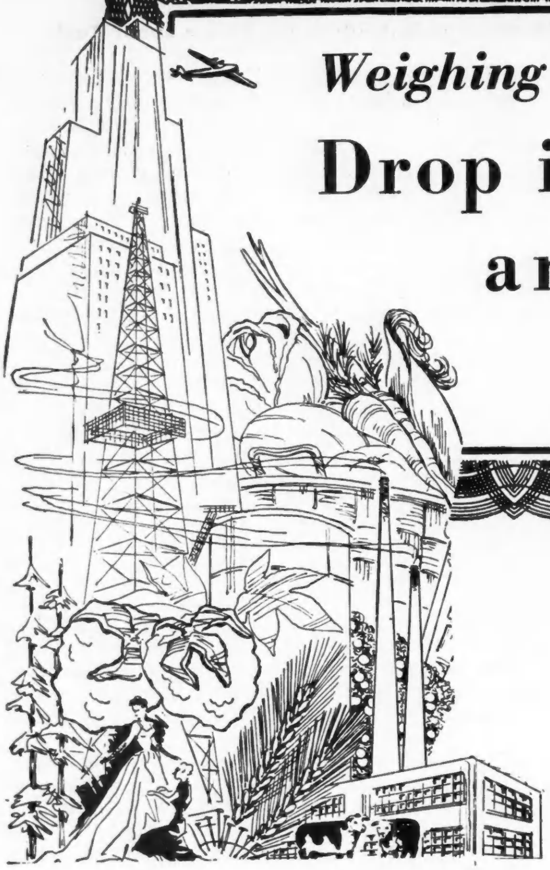
		1920	1936	1953
Auto Workers	CIO	43,400*	70,000	1,184,507
Boilermakers	AFL	103,000	—	150,000
Brick, Plaster	AFL	73,600	65,000	100,000
Carpenters	AFL	37,200	156,000	750,000
Communications	CIO	—	—	300,000
Electrical	AFL	139,200*	130,000	500,000
Ladies' Garment	AFL	105,400	210,000	390,000
Longshoremen	AFL	74,000	40,000	75,000
Machinists	AFL	33,000	110,000	699,000
Plumbers	AFL	75,000	65,000	201,000
Trainmen	Ind.	184,000	116,000	206,000
Steelworkers	CIO	50,000	—	1,100,000
Textile	CIO	104,000	79,000	360,000
Teamsters	AFL	101,000	140,000	1,000,000

*—Two unions which later merged.

There have been many organizational changes which make it difficult to give precisely comparable figures over the years. The Steelworkers, for example, have absorbed other bodies and various shifts have taken place as a former boilermaker may now be classed as a steelworker, etc.

Weighing Significance of . . . .

Drop in New Orders and Shrinking Backlogs



By HOWARD NICHOLSON

Going into the second half of 1953, U. S. manufacturers were sitting on very comfortably padded order books. As of July 1, they had over $70 billion worth of orders "in the house"—unshipped business. In those dim days back before the start of the Korean war, their backlogs totaled about $20 billion. Even in physical terms—eliminating the rise in prices since Korea—their backlogs mean roughly three times as much potential production as in mid-1950.

Viewed all by itself, the mid-year backlog figure for manufacturing is a very encouraging statistic. But there are a number of flies in the ointment. New business being booked is not running as high as sales, and the trend of backlogs has been more or less steadily downward for about six months. The backlog is heavily concentrated in defense and related activity; many industries that are not deeply involved in the production of war materiel have no substantial backlog cushion. Much of the backlog—particularly the unfilled orders for military goods—is subject to cancellation, and much of it is duplication owing to subcontracting of government and other work. As a consequence, the total unfilled orders figure could fall down to a less encouraging level in a very short time. Finally, even given the high level of the total backlog, it remains true that at current production rates inventory manufacturers is advancing at a relatively rapid rate—too fast to be maintained much longer.

Backlogs going down steadily; new orders having begun to subside; inventories continuing to rise. Result: the relationship between the volume of total demand and the volume of total supply, while still reasonably favorable, is becoming less so every day.

The Composition of Backlogs

The total of $70 billion in unfilled orders outstanding on July 1, 1953 included about $67 billion for durables industries. The remaining $3 billion, in non-durables industries, appears to be about normal, considering the general level of operations in these industries, and it has been quite stable in the first half of 1953. The backlogs problem is a durables problem.

Total durables backlogs reached a postwar peak of $72.3 billion in September, 1952. Part of this peak reflected delays in shipment of many durables—notably transportation equipment—owing to the disappearance of steel supplies in the two-month strike of mid-summer 1952. For the rest of 1952, as steel supplies improved, backlogs subsided slowly. They advanced in January and February of 1953 (partly for seasonal reasons) and have since been declining moderately—at about $1 billion per month. On July 1 they stood at $67.3 billion, off about 7% from their peak, but still about 230% higher than in pre-Korea.

By far the greatest part of the rise in backlogs since Korea has been in transportation equipment industries, as a result of the large-scale expansion of the American air force, and orders for air materiel for allies in the cold war. Backlogs in these industries (which include motor vehicles and much wheeled military equipment) are now about $28 billion, almost 6½ times greater than in pre-Korea. For other industries, however, the growth in backlogs is significantly less. Relative to early 1950, unfilled orders are up about threefold in machinery industries (both electrical and non-electrical) and are about double pre-Korea in primary metals production, metal fabricating industries (including most metal construction specialties) and in miscellaneous

Trend In: Inventories – Unfilled Orders

	Primary Metals		Fabricated Metals		Elec. Machinery		Non-Elec. Machinery		Transportation Equipment		Other	
	Inventories (1)	Unfilled Orders (2)	Inventories (1)	Unfilled Orders (2)	Inventories (1)	Unfilled Orders (2)	Inventories (1)	Unfilled Orders (2)	Inventories (1)	Unfilled Orders (2)	Inventories (1)	Unfilled Orders (2)
	Billions of Dollars											
12/49	2.2	3.7	1.5	2.4	1.5	2.8	3.1	2.9	2.6	4.1	3.1	2.6
6/50	2.1	4.4	1.8	2.7	1.7	3.2	3.2	3.4	2.6	4.6	3.3	3.3
9/50	2.3	5.8	1.6	3.7	1.7	4.6	3.2	5.0	2.6	8.3	3.4	4.5
12/50	2.4	6.4	1.7	4.1	1.9	5.0	3.7	6.4	3.1	9.6	3.8	4.7
3/51	2.3	7.5	1.9	5.6	2.2	6.6	4.1	9.4	3.5	15.0	4.2	6.1
6/51	2.4	7.8	2.2	5.8	2.5	7.7	4.5	10.6	3.9	18.0	4.5	6.4
9/51	2.7	8.1	2.2	5.9	2.7	8.4	4.9	11.9	4.2	20.1	4.7	6.3
12/51	2.8	8.1	2.3	5.7	2.9	9.0	5.2	12.0	4.6	21.8	4.8	5.8
3/52	2.8	7.8	2.5	5.8	3.1	10.6	5.5	11.9	4.9	23.6	4.8	6.1
6/52	2.9	8.1	2.4	6.1	3.1	11.3	5.5	11.1	4.8	26.5	4.7	6.3
9/52	3.1	8.5	2.2	6.4	3.0	11.5	5.2	10.9	5.0	28.6	4.6	6.4
12/52	3.1	7.9	2.3	6.0	3.0	11.3	5.4	10.2	5.5	28.4	4.7	5.7
3/53	3.0	7.8	2.5	6.3	3.2	11.4	5.5	9.7	5.8	28.8	4.8	6.2
6/53	3.2	7.5	2.8	5.7	3.5	11.3	5.5	9.0	6.1	27.8	4.9	6.0

1—Inventories, End of Month not adjusted 2—Unfilled Orders, End of Month not adjusted

durables industries (which include ordnance, stone, clay and glass, furniture and other lumber products, instruments, et cetera).

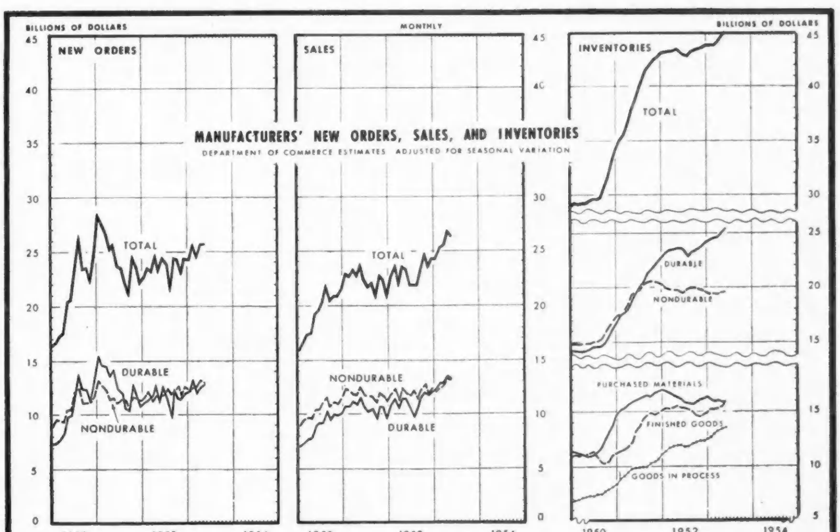
Significantly, the recent decline in backlogs has not been in transportation equipment, where military orders are concentrated, but in those other industries where defense activity has had a lesser impact. Non-electrical machinery has suffered the most, losing well over 10% of its backlog in the first half of 1953. Primary metal producers have lost about 7% of their backlogs, and metal fabricators about 5%. Makers of electrical machinery have about held their own, thanks mainly to the enormous continuing expansion of the nation's electric power industry.

The above are all composite figures, with each classification including many industrial subgroups, and the behavior of the individual subgroups has evidently differed widely. Within the non-electrical machinery classification, for example, makers of machine tools, a relatively small but highly volatile industry, have seen their backlogs wither to much less than half what they were a year ago. Makers of farm machinery have likewise about caught up with their orders, partly because of substantial output, and partly because of a marked decline — apparently over 10% — in the rate at which farmers have been ordering machinery.

The striking thing about the decline in backlogs since the beginning of the year is that it does not as yet reflect a declining defense program. Unfilled military orders, at least as of mid-year, were apparently little changed from the beginning of the year. What seems to be the major element in the decline in backlogs is that the capital goods industries have been producing and shipping at a rate considerably greater than the rate at which they have been receiving new orders. In this sense, the much-heralded turning point in capital goods industries, which some expect to usher in the declining phase of business activity following the settlement in Korea, has already been seen. If and when defense cut-backs envisioned by the federal budget for fiscal 1954 (and the prospective budget for fiscal 1955) become effective, the total decline in backlogs is likely to be very substantal. And if the expansion of American public utilities enters on a declining phase by late this year—which is also a real possibility—the backlog picture could be changing rapidly for the worse by year-end. The psychological impact on businessmen of such a pronounced drop in unfilled orders could mark the end of the Korean boom.

What the Backlog Means

The $70 billion backlog figure is thus insurance of a high operating rate only in the very short term. It should not be treated as a guarantee that in the first half of 1954 business will be able to continue to run on the momentum built up in the ordering boom of 1950-1952, when the rising curve of defense was setting up parallel (*Please turn to page* 694)



GROWING PROBLEM OF INTERNATIONAL TRADE

By "VERITAS"

CONGRESS gave the General Services Administration a paltry $50,000 to make a federal real estate inventory. It may surprise some people but it is a fact that the government hasn't the vaguest idea of the size and value of its realty holdings, cannot even locate all of them on maps. The $50,000 won't go far. If the start is made in Nevada it will be found that three-quarters of the land in that state is federally owned. Then there are billions of dollars worth of national parks and forests, post offices, federal penitentiaries, customs houses, and a substantial part of the District of Columbia. Just to list them will consume time and money.

GOVERNMENT lawyers have plumbed the depths of conjecture to find grounds for antitrust proceedings and they have come up with a brand new one: a Louisiana union of strawberry producers has been charged with fixing prices at auction sales of berries. How prices can be fixed at an auction when the highest bidder determines the sale is a formula which does not readily suggest itself. Strawberries are an important Louisiana commodity, ranking with spinach in Texas, mushrooms in Lancaster, Pa., potatoes in Maine and Idaho, and apples in the northwest—although Senator Byrd of Virginia, is the world's largest grower.

INTERNATIONAL trade is causing concern on both sides of the Atlantic. At a recent meeting of non-governmental farmers' organizations of several friendly countries restriction on imports of farm products came in for critical mention. American farmers are disturbed over decline of their export market for wheat, cotton, lard, dairy products and some other commodities. Canada is asking whether this country intends to dump there, dairy products taken under price supports. The problem is intensied by trade pacts which "neutral" countries have signed to move imports from U.S.A. indirectly to Russia.

WASHINGTON business may suffer as a result of decision to reorganize the Internal Revenue Service by transferring many of its units and functions to locations in other cities. Involved are 1,000 jobs. Operators of department stores and other merchandisers are worried over the loss of trade; it hasn't been determined yet how much it will cost to buy of lease space, to move files and equipment and to transport those entitled to such allowances. Firms with Washington tax experts will find their modus operandi changed by the reorganiaztion program.

WASHINGTON SEES:

"A good will" tour of Europe by President Eisenhower is being discussed at Ike's Denver vacation retreat and in spite of the fact that it has reached high level consideration, the Chief Executive reportedly has not warmed up to the idea.

The proposal does not involve official diplomatic, military or economic conferences although, naturally, heads of states visited would be willing hosts to a President of the United States. The suggestion has its roots in the many conflicting reports being received from Americans who have been abroad on official or other missions. These range all the way from continued friendly feeling towards the United States to signs of disintegration, with some analyses falling somewhere between these poles—the report, for example, of Adlai Stevenson who declared respect and admiration for this country is on the decline but far from hopelessly so.

In the face of these conflicts and without any first-hand information it is reasoned that the President must operate in a vacuum insofar as international affairs are concerned. There has been outspoken criticism of some of the import regulations adopted by this country; Britain's attitude in UN meetings of late give rise to the suggestion that the heads of the two governments might profit by some across-the-table understandings; officials have shown little signs of vigilance in putting down demonstrations of dislike before U.S. Embassies and Legations. And the reduction in funds for overseas aid has not set well. If Ike were to make the trip his State of the Union message to the next congress would be "must" reading.

As We Go To Press

Union lobbyists have been active on the Washington scene since congress launched its session last January, but they didn't overlook the state houses. The regulars assigned to watch over those deliberations did a good job, from their viewpoint. In 28 states they initiated or sparked enactment of laws increasing workmen's compensation benefits. Passed also were several state statutes giving a more liberal interpretation to the term "occupational disease" -- qualifying many more applicants for compensation. The argument most generally used was that the level of benefits paid hasn't taken into consideration increased living costs.

The White House undoubtedly was giving a fair account of the true situation when it declared that the report on proposed Taft-Hartley Law revisions which leaked to a newspaper was a tentative draft including many subjects which are not likely to appear in the message which the Preident will send to congress in January. But it is equally true that some of the propositions are in final form and there are some congressmen who believe that it should be released, piecemeal if necessary, to promote discussion. The idea of saving up recommendations for months, then asking almost overnight action, was a favored technique of President Roosevelt. But FDR had a much more subservient congress than Ike enjoys.

Members of congress who are favored with appointments to talk over upcoming legislation sometimes run off at the mouth and by fitting together repeated comments it often is possible to work out a fair pattern of what the President plans. And out of such a situation the conviction has grown that the plan now nearing final shape is one looking to satisfaction of labor more than to winning the approval of management. The only possible effect of long delay in making his wishes known, President Eisenhower will find, will be slow motion action which might drag on through the entire session, causing organized labor to complain it was let down.

Analyses still are being made of the budgetary actions of the recent congressional session. While the White House and Capitol Hill were at odds much of the time on money bills, it is a fact that the end result was a "give-and-take" product. Saved, on the basis of comparison with the Truman budget recommendations were $12.5 billions. Of course as all his predecessors had and all his successors will, Mr. Truman described his as a rock bottom figure. This was tongue-in-the-cheek talking; expectation beyond doubt was that a very large percentage of the total asked would be the missing when the final accounting came along.

There was little of the "must" in submissions from the White House since Ike took over. Priorities in scheduling for action were common during the preceding 20 years and the "must" tax usually represented only the desires of the President, often without consideration of whether the legislation fitted logically into a certain pattern. Eisenhower had two pet projects: defense and foreign aid. He made no complaint when congress reduced defense funds by 6.8 billion dollars, foreign aid by 3.1 billion dollars. Those reductions accounted for about 70 per cent of the entire amount of savings from the Truman budget.

The republican speech writers realize that the President made a tactical error in claiming all for his party and not giving any recognition to the decisive help he received in getting through a large part of his program, from the democrats in congress. All policy speeches since Ike talked to the governors' conference have given a nod of appreciation to members "on the other side of the aisle." Said Majority Leader Knowland of the session as a whole:

"We have a good batting average of Legislation. It must be kept in mind that congress has two sessions. This is but the first, and another will start in January of next year. We can thank not only the hard working members of the republican party, but a great many of the democrats as well, who have cooperated on the legislative program of the President of the United States."

If the charge is made against some congressmen that they don't even read many of the bills submitted in each session, that accusation can be sustained and there's good reason for it. If a congressman attended no committee meetings and spent no time on the floor in the recent session, put all of his time into reading and analyzing bills, he wouldn't have completed the chore in time to vote for adjournment. Submitted were 10,695 legislative measures. Only 1,792 were finally passed. And in most instances, only a fractional part of the membership heard all of the debate; many times only a handful voted by voice for passage. Some of the bills run many pages; others may be only one paragraph long and take more time to digest: they call for amendment of Section so-and-so, Title so-and-so, requiring the congress member to go back into the records to learn what the change means.

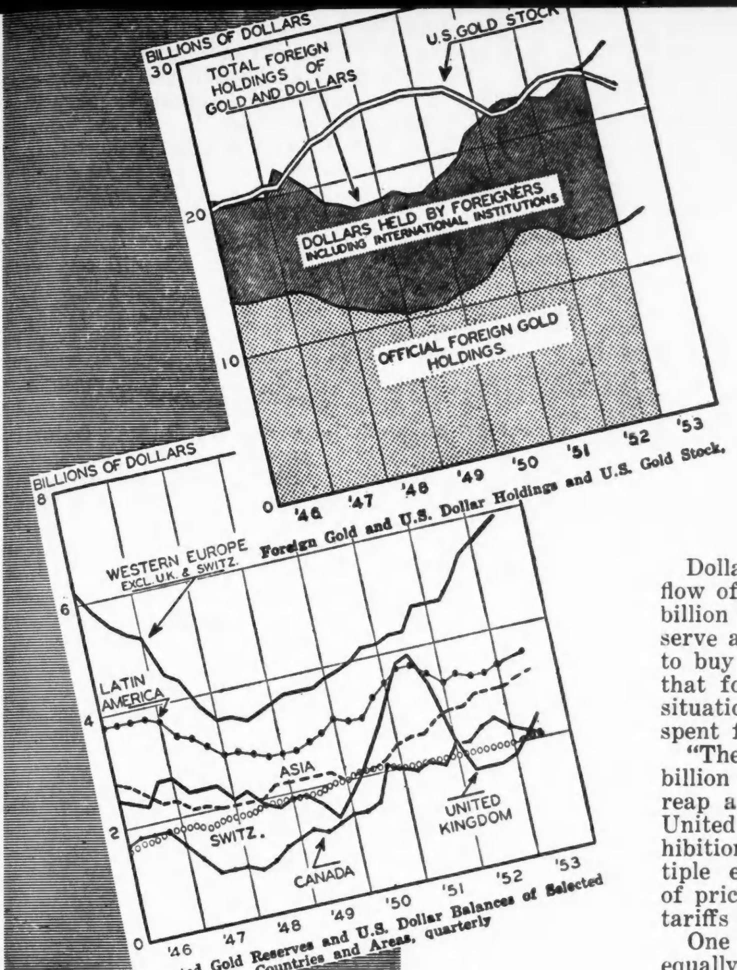
The consumer will have the attention of congress at the next session, provided there is action on any of the more than one score of bills to keep prices down. These did not die with the adjournment, can be taken up whenever congress returns. Almost the entire senate membership will be found among the co-authors of consumer relief bills. One, rapidly gaining support, would have each committee appoint a subcommittee whose job it would be to examine each piece of pending legislation, file a report on whether its enactment would affect consumers adversely or otherwise.

Passed with no fanfare was legislation continuing the present duty free limit on goods mailed into the United States at $1. The bill as originally introduced placed the limit at $10 but department stores and other merchandisers protested the increase would breed unfair competition for domestic retailers. Sponsors of the measure proposed that the limit be set at $3. Retailers said this would put goods with a $3 cost at a foreign port in competition with merchandise selling in United States stores at $8 to $10.

If one is inclined to become critical of congress for not plunging into the field of tax law reformation and equalization, he needs only to examine the congressional files on this subject. In the six months of the session, 728 bills were introduced proposing changes in present tax laws. One of the difficulties is found in the fact that the congressional procedure calls for consideration of the tax structure and final decision on many of the major points before the budgets are adopted. Obviously no one can know how much tax must be raised until the government's costs are determined. Excess profits tax ends Jan. 1, and excises are certain to be whittled down, in some instances wiped out. The executive department will have the alternatives of greater economy or higher income taxes.

Companies which have been doing business with the Reconstruction Finance Corporation and the Small Defense Plant Administration would do well to acquaint themselves with the "major objectives" laid down by Administrator William D. Mitchell, who heads the Small Business Administration, into which the functions of RFC and SDPA have been merged. All of the duties of the predecessor units will be taken over, but Mitchell says special emphasis will be placed on the following:

Processing small business loans, after making intensive efforts to arrange for local, private financing; continuation of the joint efforts with the military to award prime contracts to small business; continuation of making prime contracts by SBA, to farm out in sub-contracts to small business; efforts to obtain tax relief for small business to encourage plowback, expansion and growth; assist small retailers, distributors, mining outfits and other non-manufacturing businesses; fully protect small business viewpoint in conferences with other government agencies; enlarge the program of technical and managerial aids; strengthen programs of certificates of competency, defense production pools, sub-contracting, distribution of scarce materials and inventories of national production facilities.



$3 Billion Increase in Foreign Gold and Dollar Assets

By V. L. HOROTH

American exporters, seeing their hopes of freer trade repeatedly postponed, are beginning to wonder whether world trade will ever return to "normal". Recently the American Cotton Manufacturers' Institute published a report in which it raised issues that have been bothering many foreign traders. The dollar gap was closed some time ago, reports the Institute's economist, Dr. Claudius Murchison, and there has been a "startling" accumulation of gold and dollar assets in foreign hands. Yet foreigners as a whole have been keeping their purchases of American goods down to the "irreducible minimum."

With foreign gold and dollar assets at an all-time high, continues Dr. Murchson, "American farm surpluses go begging, with warehouses bulging with surplus cotton, granaries overflowing with wheat, and the nation's farmers facing the prospect of acreage controls and restricted production".

Dr. Murchison muses rather bitterly about this picture. "For seven years", he says, "America has believed that the return of health and growth to its export trade and to total world trade awaited only the restoration of foreign buying power", and he adds:

Dollars cannot be lifted from the outward flow of dollar exchange to the amount of $2.3 billion per year, salted away in so-called "reserve accounts" and at the same time be used to buy American goods. It is equally obvious that foreign aid and loans will not help the situation when they serve only to swell unspent foreign credits.

"The harvest time having come for the $40 billion of seed sown since World War II, we reap a crop of trade restrictions against the United States; exchange allocations and prohibitions; imports and exchange taxes; multiple exchange rates; government regulation of prices, taxes, and a new mounting wave of tariffs in addition to all these."

One might, of course, permit oneself the equally bitter remark that playing "big brother" to the world has miscarried somehow economically as well as politically.

There is one problem in particular that might well puzzle the average American exporter: that of convertibility of currencies. Last spring it was thought that currency—especially that of the pound sterling—was just around the corner. It was hoped that convertibility, by restoring and encouraging multilateral trade, would give a big boost to the international exchange of goods, which had been unmistakably slowing down. As the Bank for International Settlements expressed it in its annual report, Convertability of currencies is becoming more and more a necessity from the commercial point of view. "Without convertibility", points out the Bank, "there cannot be restoration of free trading in commodities in which the prices quoted will be a true reflection of supply and demand, unless there are opportunities for corresponding dealings in equally free foreign exchange markets".

One can hardly quarrel with Dr. Murchison's facts. The closing of the dollar gap—or to put it in another way, the shift in our international payments

from a surplus to a deficit position—took place in the spring of 1952. From that time until the spring of 1953, or in the space of about one year, foreign countries built up their gold and foreign dollar reserves by about \$2.3 billion; another three-quarters of a billion was probably added during the second quarter of 1953, so that by last June the overall rise in foreign gold and dollar holdings must have come to at least *\$3 billion,* raising total foreign gold and dollar assets to a record peak estimated at \$25 billion.

The most interesting point about this increase in foreign gold and dollar assets is that it was only slightly greater than the amount of economic aid furnished to foreign countries by the American taxpayer under the Mutual Security Program. In other words—and here is the weakness of the present situation—the elimination of the dollar gap and the accumulation of gold and dollars by foreign countries are still dependent upon our giveaways. Were our economic aid to be discontinued and other U. S. Government expenditures to recede, the pressure on foreign gold and dollar holdings would most certainly reappear.

Thus we can conclude that the gold and dollars acquired by foreign countries in their transactions with the United States have been precariously dependent upon U. S. Government spending. This U. S. Government spending is a chapter by itself. It has never been greater than at the present, if one counts in the U. S. military aid—though it should be noted that this military aid does not actually create free dollar exchange for foreign countries except in the case of offshore procurement of military goods.

There has been much talk about the military and economic aid given under the Mutual Security Program, but the extent of other U. S. Government spending abroad has been little publicized. For example, the maintenance of our military establishments abroad, the building of airfields, repair of our equipment (which in the case of Korea is done by the Japanese) and the spending of our troops abroad altogether account for well over \$2 billion a year at present. Over and above this amount the U. S. Government imports some \$1¼ billion of goods, ranging from foodstuffs for our over seas troops to goods that are being stockpiled under various programs.

Gold and Dollar Balances of Selected Countries (In Millions of Dollars)

	Sept. 1949	Mar. 1952	Dec. 1952	May 1953	Change Mar. 1952 May 1953
Industrials Countries:					
United Kingdom	\$1,425	\$1,700	\$1,846	\$2,321 (a)	+621
Germany	148	390	691	855	+465
Netherlands	338	490	747	849	+359
Japan	165	694	824	900-e	+206
Switzerland	2,044	1,977	2,064	2,058	+ 81
Belgium	842	756	830	824	+ 68
Austria	45	60	101	127	+ 67
Norway	102	154	160	174	+ 20
Italy	542	638	655	659	+ 21
France	690	824	916	828	+ 4
Canada	1,277	2,206	2,301	2,155	— 51
Industrially Advanced:					
India	308	293	312	339	+ 46
South Africa	127	178	194	208	+ 30
Australia	109	151	160	175-e	+ 24
Greece		50	57	78	+ 28
Brazil	462	417	390	435	+ 18
Mexico	222	357	376	360-e	+ 3
New Zealand	38	36	36	36-e	......
Argentina	389	457	407-e	421	— 36
Egypt	112	301	234	228	— 73
Raw Material Producing:					
Venezuela	484	453	532	572	+119
Belgium Congo	65	113	184	203-e	— 90
Thailand	120	234	294	305	+ 71
Colombia	100	157	193	208	+ 51
El Salvador	27	70	54	78	+ 8
Guatemala	49	67	61	74	+ 7
Chile	101	102	121	134	+ 32
Uruguay	222	294	301	309	+ 15
Pakistan	41	51	52	52-e	+ 1
Philippines	349	339	324	335	— 4
Cuba	479	609	515	565-3	— 44
Indonesia	205	421	296	266	—155

(a)—June 1953 -e—Estimated

Great Britain and Germany—the Largest Gainers

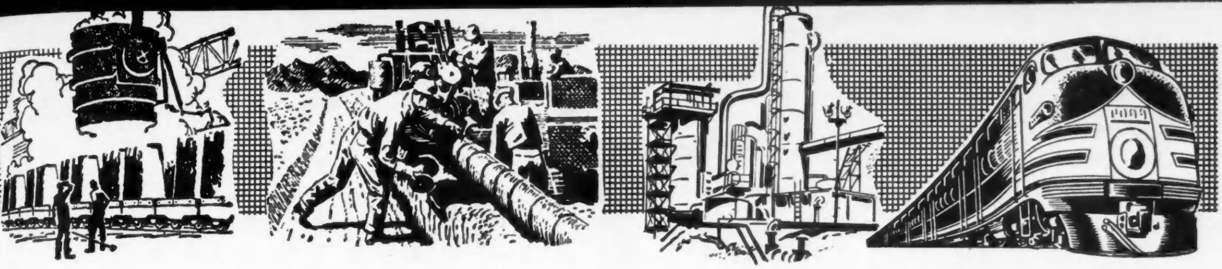
Another point that needs to be cleared up before we charge that foreign countries are "bypassing U. S. Trade", is to examine the distribution of the recent gains in gold and dollar reserves. As will be seen from the accompanying table and chart about two-thirds of the asset increases, or some \$2 billion, accrued to the industrial countries of Western Europe, to Japan, and to the specially favored oil producing countries such as Venezuela, Saudi Arabia, and Kuwait, which already buy as much as they can under present conditions and which do not need additional gold and dollar resources.

Great Britain alone accounts for about one-fourth of the gold and dollars gained by foreign countries from transactions with us between the spring of 1952 and the summer of 1953. As of last June, London's gold and dollar holdings had been rebuilt to \$2,367 million from the low point of \$1,662 million in April 1952; the post-Korean high was \$3,867 reached in June 1951.

While the gain was substantial, it has been far from satisfactory from the point of view of Britain, which is the banker of the sterling area. British economists generally feel that the minimum reserves under which a "dash for convertibility" could be considered are about \$4 billion, and it will take Britain a long time indeed under current conditions to build up her reserves to that point.

What are the reasons for Britain's caution? Briefly, in the last few months imports have been rising faster than exports, with the result that the surplus in the balance of payments has been narrowing from month to month. While British exports to North America (currently at an all-time record) and to the sterling area have done pretty well, British exports to other areas have been disappointing. Either they are being outpriced by the Germans and the Japanese, or they have run into the sterling shortage problem, particularly in the case of the raw material producing countries. Although capital goods are needed everywhere, Britain's engineering exports have been dissappointing.

Meanwhile two developments have contributed to the expansion of Britain's imports: (1) the relaxation of import restrictions last spring, and (2) the rise of wages at home. With domestic demand strong, goods that ought to be exported to pay for expanding imports are again being absorbed by the domestic market. Thus Britain continues to be faced by the same old problem of inadequate production—a problem that can apparently be solved only by increasing (*Please turn to page* 690)



1953 Midyear Re-appraisals of Values; Earnings and Dividend Forecasts

★ ★ ★

Prospects and Ratings for Steel — Chemicals — Auto & Accessories — Tires

Part V

Since the end of World War II, investors have had to adjust their thinking to an entirely different set of standards than those of pre-war days. New industries have emerged and the success of some of them, such as electronics and petrochemicals, in particular, has placed an unusually high premium on their common stocks. In some cases, however, these premiums have resulted in the stocks outpacing earnings and this has rendered them especially vulnerable to the type of market declines in evidence recently. It is therefore obviously more necessary than ever to apply realistic standards of value to securities in a market which is showing a pronounced tendency to evaluate earnings on a much more conservative basis than has been true in recent years.

The test of earnings is being applied more rigorously to the older established segments of the market as well, with the result that the sifting process relentlessly exposes situations of weakness as well as those of strength. In the final analysis, the position of each stock depends on the internal factors influencing the company which it represents. These are principally the factors of sales, prices of products, the profit margin (before and after taxes), the margin of earnings over dividends and shifts in working capital position. Without knowledge of these highly important trends, the investor is at a disadvantage.

Because of our appreciation of the importance of such information we are again presenting for the benefit of subscribers our Mid-Year Dividend Forecast and Re-Appraisal of Security Values. In addition to the essential statistics on sales, earnings, dividends and other important data, we have included our comments on the position of each company. In addition, the stock of each company listed is rated according to investment- and speculative-quality, as based on our analysis of the combined factors affecting each company. These comments and ratings should offer a convenient guide for investors.

For the more complete information of our subscribers, we have furnished a complete analysis of the position and prospects for each industry covered. These individual industrial reviews give the latest trends as to sales, prices, inventories, competition and production and as such, they are especially useful as affording a reliable barometer of specific industrial prospects at the end of the first half of the year.

The key to our ratings is as follows: A, Top Quality; B+, Very Good; B, Good; C, Fair; D, Highly Speculative. The numerals which accompany these letters are intended to convey a picture of the actual earnings trend of the company at the present time. Thus, 1—upward; 2—indeterminate; 3—downward. Thus B 1 indicates a stock of good quality with a currently higher trend of earnings.

In special cases, we have marked some stocks with a "W" and others with an "X". Those with "W" should be held essentially for income return. Those marked "X" seem more suitable for holding for appreciation.

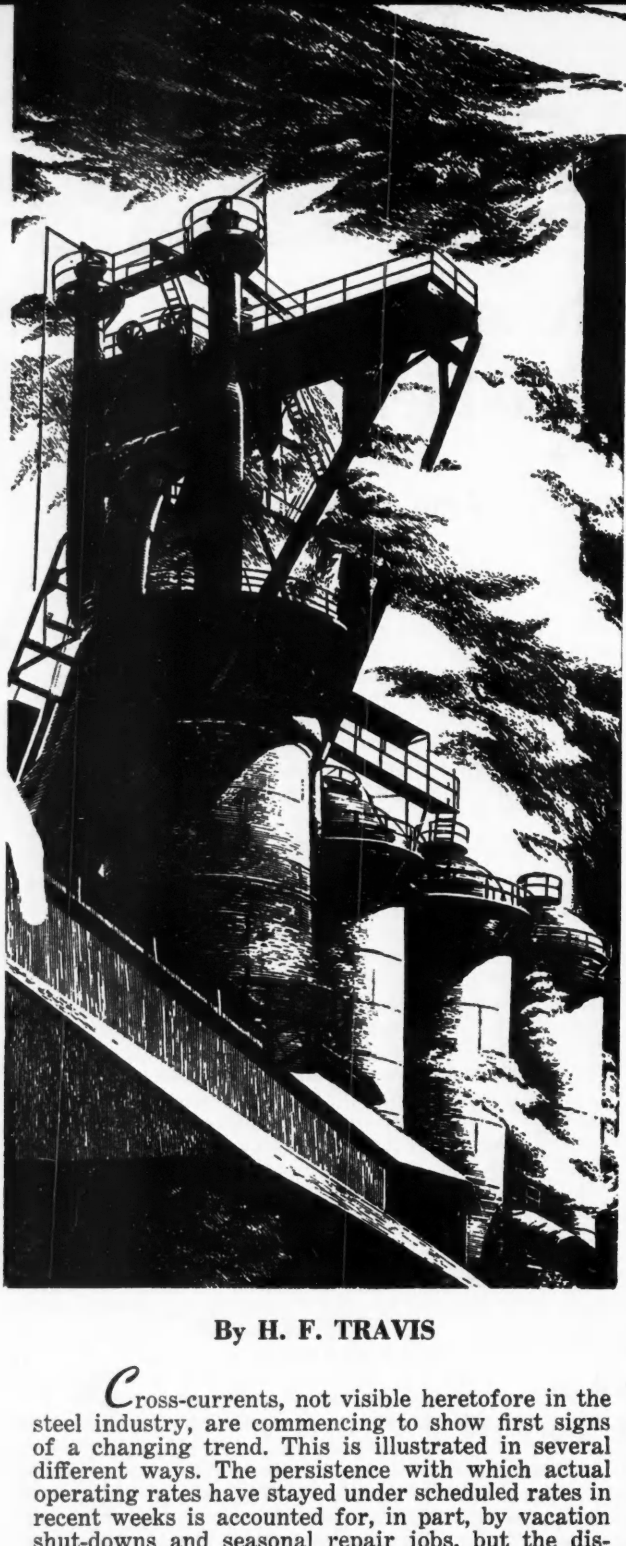
It is advisable that subscribers consult Mr. A. T. Miller's market advice, appearing in each issue. This may aid in better timing of purchase and at least should furnish the subscribers with the latest market information as a general background to any specific security transactions contemplated.

For the guidance of subscribers, we should emphasize that our investment policy at this time must be governed by the obvious necessity of applying the utmost care and even conservatism in the valuation of stocks. This is especially due to the transitional character of the present market. Therefore, any ratings herewith attached to individual securities are subject to change as future conditions develop.

These will be noted in future issues of the Magazine.

Important Industries Covered in Mid-Year Re-Appraisal

Railroads — Tobaccos — Textiles — Food & Dairy — Sugar — Liquor and Soft Drinks — Electrical Equipment — Miscellaneous Equipment — Building — Machinery and Machine Tools — Steels — Chemicals — Auto and Auto Accessories — Rubber and Tires — Air and Bus Transport — Oil — Movies.



Can STEEL Maintain The Pace?

By H. F. TRAVIS

Cross-currents, not visible heretofore in the steel industry, are commencing to show first signs of a changing trend. This is illustrated in several different ways. The persistence with which actual operating rates have stayed under scheduled rates in recent weeks is accounted for, in part, by vacation shut-downs and seasonal repair jobs, but the discrepancy between actual and scheduled rates is giving rise to the belief that the industry has finally reached a point of too much capacity for the available business. It is about two months now that the actual operating rate has been below capacity, averaging about 95% in this period. This is contrary to the first four months of the year when the industry for the most part operated at higher than scheduled rates.

Output at 67.2 million tons for the first seven months was at the highest rate in history; and was higher by 6 million tons than in the comparable and exceedingly active 1951 period. It was 20 million tons above last year's figure for the period but, of course, that was when the steel strike took place.

As a result of the record production, steel company earnings for the first six months of the current year were well above those of 1952, actually about 40%, which is not surprising in view of the effects of the steel strike on earnings in that period but, even more significant, were above those of the corresponding period of 1951, acknowledged as the best peace-time six-months in the industry's history.

The question now, of course, is whether the earnings pace can be maintained. The factors to be considered are many. Prominent among them is the influence of higher prices arising, first, from higher extra prices put into effect in May and, second, the increase in steel base prices when wages were increased in June. While these increases will be offset in part by higher costs, there is little doubt that there will be a net accrual to the companies. On the other hand, the effect of the military cut-backs and stretch-outs will be felt at the mills, especially in alloy steels which are influenced by smaller demand from the independent auto manufacturers.

There is no longer uniform tightness in the market for the various steel products. This is changing, with some easiness in plates, basic wire and, as stated, alloy steels. Strong items are stainless steel, sheets, oil, country goods and structural steel, the latter subject to a new spurt in railroad car orders.

On the whole, steel supply and demand has come into balance for the first time in a very considerable period and a marked feature is the lessened desire of consumers to build up inventories. This is altering the hitherto extremely firm character of the market which is now more nearly subject to immediate changes in supply and demand. A certain degree of uncertainty has been imparted among consumers though, in view of the still very great demand, its importance should not be exaggerated, so far as near-term conditions are concerned.

Third quarter prospects look good, on the whole, and the filling of old orders and the still active current demand should keep the mills operating at close to current levels. In other words, the momentum toward high production is still too strong to justify a feeling of pessimism for the current period.

The situation with regard to the fourth quarter, however, may be different. New orders for fourth quarter delivery which started well at the outset of

Position of Leading Steel & Iron Companies

	First Half 1953			1952							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Acme Steel	$ 39.6	6.4%	$1.29	$ 58.0	8.0%	$2.35	23	$1.60	7.0%	C2	Higher sales cut by increased taxes but total earnings for year should record moderate increase. 40-cent quarterly dividend can be maintained.
Alleg.-Ludlum Steel	134.3	3.1	2.47	189.1	3.1	3.37	33	2.00	6.0	B1	Strong recovery in earnings, with fundamental position steadily improved through growth of stainless steel and titanium. Extra could easily be paid.
Armco Steel W	291.7	5.5	3.08	518.5	6.0	6.01	37	3.00	8.1	B2	Last year's earnings of $6.01 a share should be equalled. Longer-range outlook improved through heavy capital expenditures. Current $3 dividend well covered.
Bethlehem Steel	1,056.2	5.6	5.87	1,691.7	5.3	8.80	51	4.00	7.8	B1	Company making exceedingly strong earnings recovery from last year's strike. Most branches active but shipbuilding in some doubt. Dividend secure.
Byers, A.M.	29.0[4]	4.1	3.67[4]	32.1[1]	2.9	2.38[1]	23	2.00	8.6	C1	Despite good earnings recovery, fundamental position subject to basic weakness in wrought iron industry. Current dividend can be maintained but longer-range outlook uncertain.
Carpenter Steel	40.3[10]	6.1	5.78[10]	47.6[2]	6.0	6.71[2]	44	3.00	6.8	B1	Efficient producer of specialty steels. About a 20% gain anticipated for full fiscal year (ended June). Regular 50-cent quarterly plus $1 extra recently declared.
Colo. Fuel & Iron	248.8	3.0	(n.a.)	195.7[2]	2.9	2.64[2]	17	1.50	8.8	C2	Moderate gain in earnings expected. Company strengthening basic position to meet growing requirements of Western regions which it supplies. Earnings margin sufficient to maintain dividend.
Continental Steel	21.2	4.1	1.77	35.7	4.1	2.95	19	1.40	7.3	C2	Large manufacturer of wire products. Some improvement in earnings for full year indicated. 35-cent quarterly dividend covered about twice.
Crucible Steel	....	....	4.81	180.2	2.9	6.13	29	[7]	....	C1	Company has improved plant and equipment and in much stronger position. Moderate earnings increase. No cash dividend but 4% in stock, owing to working capital needs.
Follansbee Steel	18.4	3.7	1.54	28.3	2.9	1.87	14	1.00	7.1	C1	Marginal concern largely in fabricated steel field. Characteristically small profit margin. Company follows safe policy in restricting dividends to present $1 annual rate.
Granite City Steel	44.1	7.2	1.96	74.5	6.6	3.17	17	[8]	....	C1	Completing process of integration with basic position steadily strengthened. Considerable earnings increase this year. Dividends restricted due to financing provisions; supplemented by small stock dividends.
Inland Steel W	289.7	5.4	3.20	458.0	5.1	4.85	41	3.00	7.3	B+1	Important in Chicago area, with sound management and basic earning power. Substantial earnings increase for full year expected. Conservative dividend, considering earnings and strong financial position.
Interlake. Iron	40.1	6.8	1.41	74.3	7.2	2.75	17	1.50	8.8	C2	Earnings for full year 1953 expected to approximate 1952. Largest merchant iron producer in taconite development program. Dividend ample in view of financial requirements.
Jones & Loughlin Steel	327.8	5.0	2.52	495.4	3.9	2.91	23	1.95	8.4	B1	Company nearing completion of vast expansion program and should benefit in coming years. Substantial earnings increase. Dividends well covered.
Keystone Steel & Wire	....	....	2.87[5]	80.7[2]	6.0	2.59[2]	23	1.60	6.9	C2	Essentially a wire producer, this is among the smallest steel units. Somewhat overly liberal dividend as compared with earnings.
Lukens Steel	69.6[6]	4.6	10.08[6]	69.6[3]	3.3	7.29[3]	45	3.00	6.6	C1	This is a substantial unit among the independent companies with high earning power in active steel market. Dividend extremely conservative in view of earnings.
National Steel W	339.8	7.0	3.28	548.6	6.8	5.11	46	3.00	6.5	B+1	One of the best situated steel companies with regard to all fundamentals. Earnings will register moderate improvement, with dividends among the securest for the entire industry.

(n.a.)—Not available.
1—Year ended September 30.
2—Year ended June 30, 1952.
3—Year ended October 25.
4—9 months ended June 30, 1953.
5—Year ended June 30, 1953.
6—36 weeks ended July 4, 1953.
7—Paid 4% in stock to June 30, 1953.
8—Paid 9% in stock to Sept. 29, 1953.
9—Sloss-Sheffield Steel and Iron Co., has been merged into U. S. Pipe & Foundry.
10—9 months ended March 31, 1953.

the ordering period have commenced to lag. Continuation of this new trend would have an effect on steel operations toward the end of the year. This would be intensified, of course, if major consumers, such as the automobile industry, should materially reduce output in the final quarter, a prospect which seems to be growing. Also some business is being lost by the warehouses, some consumers going directly to the mills.

Illustrating the fact that steel generally is no longer in short supply is that premium prices are rapidly disappearing and buyers are no longer willing to pay high freight costs in order to obtain supplies from distant mills. This is helping to restore the pre-war buying pattern.

Assuming no flood of cancellations in the third quarter and including July output of 9,284,000 tons, it would probably not be too much of a guess to estimate third quarter production at between 26 and 27 million tons, comparing with 29 million in the first quarter, and the same tonnage in the second quarter. It could be less with any sudden downturn in demand but this does not appear in sight at the moment. The above mentioned figures, while approximate, would indicate an average operating rate of about 90%. The best estimates for the fourth quarter would place operating rate for that period at an average of possibly 85% or even lower. These, of course, are very rough approximations and should be taken with some reserve. Nevertheless, they represent the opinions of a fairly good cross-section of the industry.

The Various Effects

For the immediate future, any downturn in production would have a special effect on the high-cost marginal producers. Without capacity or near-capacity operations, these concerns have little flexibility in adjusting costs, with a proportionate effect on profits.

The larger concerns, particularly those which have expended very large sums in recent years on new mills and renovating old ones, will be able to maintain profit margins more satisfactorily through concentrating production on these more modern plants and closing down operations in the older and more obsolete mills. But even these great organizations cannot be expected to remain immune to a decline in profit margins when operations start to lag.

The so-called "break-even" point, largely an artificial measure of the point at which profitable operations commence, varies greatly from company to company. In the main, ability to retain a relatively satisfactory profit margin in a period of declining operations will depend (*Please turn to page* 684)

Position of Leading Steel & Iron Companies (Continued)

	First Half 1953			1952							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Republic Steel	602.1	4.7	4.72	918.4	4.8	7.21	49	4.00	8.1	B1	Company in extremely active development and expansion program, necessitating heavy financing. Gain in earnings indicated for 1953 with current dividend covered about twice.
Sharon Steel	94.8	4.3	3.73	131.3	3.9	4.65	40	4.00	10.0	C1	Company improving its position but remains a high-cost producer. Will show considerable earnings increase but dividend seems excessive in view of unimpressive underlying earning power
Superior Steel	19.5	2.8	1.86	28.6	2.9	2.87	18	1.00	5.5	C1	A specialty producer, especially stainless and alloy steel. Rather low profit margin and erratic earnings record. Conservative dividend rate helps maintenance.
U. S. Pipe & Fdry.[9]	45.8	8.1	4.05	85.1	5.3	4.89	38	3.00	7.8	B1	Merged with Sloss-Shefield, and now largest manufacturer of cast iron pipe. On a consolidated basis, earnings will exceed last year by wide margin. $3 dividend appears well covered.
U. S. Steel W	1.920.1	5.4	3.54	3.131.7	4.5	4.54	38	3.00	7.8	B+1	Huge expansion program well under way but will take several years before completion. Large increase in earnings expected but in view of capital requirements, an increase in the dividend not expected at this time.
Wheeling Steel	111.5	6.3	4.33	178.2	6.1	6.44	38	3.00	7.8	B1	Substantial but erratic earner. Company making progress in reducing uneconomic operations. Current dividend seems secure for the time being.
Woodward Iron	16.9	15.1	3.64	32.7	13.2	6.14	44	4.00	9.1	B2	Low-cost maker of pig iron with good record. Considerable increase in earnings expected but dividend rather too liberal; though it can be maintained on present earnings.
Youngs. Sheet & Tube	280.3	5.3	4.46	434.2	5.2	6.84	41	3.00	7.3	B1	Long-term expansion program bearing fruit and company now among the more solidly entrenched units in industry. Considerable earnings increase for full year and moderate dividend can easily be maintained.

(n.a.)—Not available.
1—Year ended September 30.
2—Year ended June 30, 1952.
3—Year ended October 25.
4—9 months ended June 30, 1953.
5—Year ended June 30, 1953.
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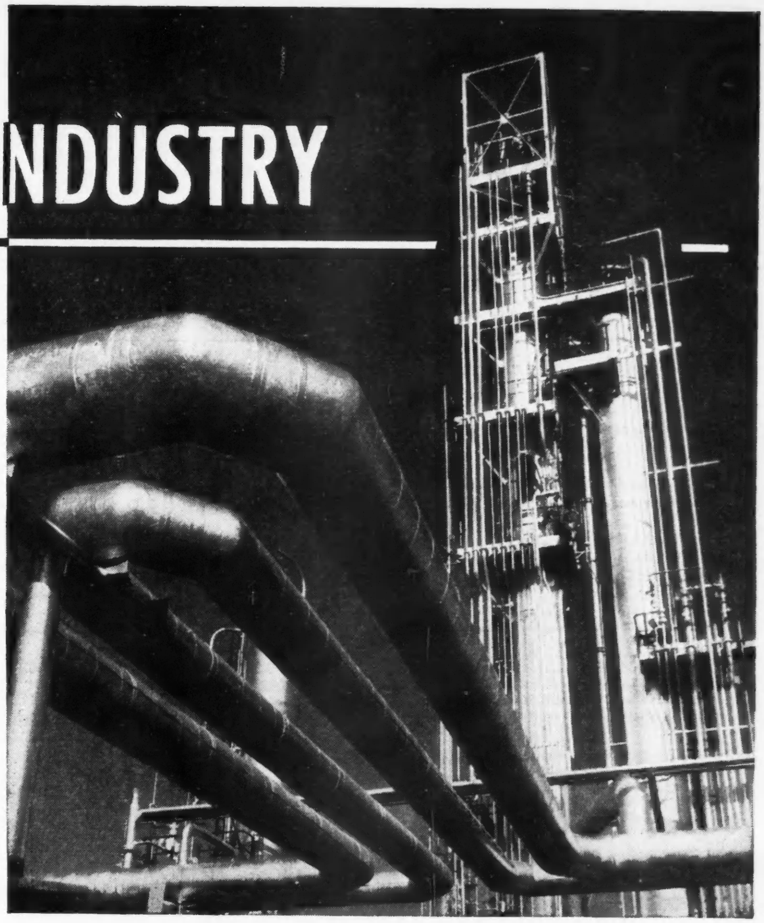
10—9 months ended March 31 ,1953.

CHEMICAL INDUSTRY

—Shifting Trends



By RICHARD COLSTON

Like the vast mysteries of astronomical phenomena, the wonders of chemical and medical research never may be fully revealed to mankind. Each discovery opens new vistas. After years of remarkable developments, the potentialities in preparation of new chemical products and in perfection of pharmaceuticals seem greater than ever. Notwithstanding the remarkably rapid expansion of productive facilities, it is difficult to become pessimistic over the outlook for such a dynamic industry. Its record of fabulous growth has been too impressive to be underestimated.

The strength of the chemical industry lies in the fact that prospective markets are limitless and that, generally speaking, manufacturing costs are low. The cost of establishing a position in the business is high. Capital expenditures measured by large sums are required to start operations and highly trained personnel is an essential factor. Because of such limitations, competitive disruptions are unlikely. The large, firmly entrenched companies are well established. The threat of competition from some new source is insignificant.

Growth of Competition

Although the industry has not been plagued by ruinous price-cutting, it should not be inferred that competition is lacking. The struggle for leadership and for strategic position is keen. But the contest is waged in research laboratories and in marketing techniques. Price-cutting is avoided, as a rule, except under special condtions in low-grade chemicals temporarily in oversupply. For the most part, competition manifests itself in development of better products than the other fellow's and in finding new ways of serving customers with old products.

Growth takes place in converting basic chemicals into consumer goods items or into materials suitable for fabrication into end products. As an illustration, some companies have experienced phases of most rapid growth in producing plastics and synthetic fibres from their own raw materials instead of marketing the unfinished chemicals. In like manner, numerous insecticides and plant foods have been introduced to the market in recent years by producers of the raw materials, thereby widening their volume of end products and improving profit margins.

In common with most other industries contributing to national defense, chemicals have experienced rapid expansion in productive facilities in the last three years. Skeptics wonder whether demand is capable of absorbing the enlarged output, and this doubt accounts for a cautious attitude toward representative stocks in the group. Impressive records achieved in the first half of this year afford a measure of assurance. In spite of forecasts of a slackening in business activity, sales of leading chemical concerns scored substantial gains. Net profit improved in the face of heavy tax burdens.

An indication of the magnitude of expansion undertaken by major chemical companies to meet needs of national defense may be gleaned from government and semi-official estimates of expenditures. Almost $1.3 billion went for new plants and improvements in 1951, it is estimated, while last year's expenditures are believed to have exceeded $1.5 billion. On the basis of plans already announced, it is anticipated that almost as much will be spent on enlargement and improvement of facilities this year as in 1951, or a total of about $4 billion for the last three years. In the first ten years following

Position of Leading Chemical Companies

	First Half 1953			1952							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Air Reduction	$ 67.2	5.3%	$1.10	$124.6	5.8%	$2.25	24	$1.40	5.8%	B2	Long range outlook helped by emphasis on diversification, but earnings gain indicated slight this year. Ample margin for coverage of $1.40 dividend.
Allied Chem. & Dye	271.6	7.9	2.45	490.1	8.2	4.55	68	3.00	4.4	A2	Competitive position improved by development of newer chemicals and end products. Modest increase in earnings points to continuance of $3 dividend.
Amer. Agricul. Chemical	61.3[5]	6.6	6.45[5]	53.5[1]	7.2	6.17[1]	63	4.50	7.1	B2	Rising costs retarding earnings gains, but promising outlook expected to warrant usual $1.50 extra, making $4.50. Downtrend in farm income unfavorable.
Amer. Cyanamid W	197.5	7.9	1.80	368.4	7.2	3.07	49	2.00	4.1	A2	Leadership in pharmaceutical research tends to expand volume in drugs. Good diversification stabilizes earnings. Maintenance of $2 dividend likely.
Atlas Powder	29.3	3.9	1.88	52.9	3.8	3.21	33	2.00	6.0	B2	Better control of costs and increased sales may lift earnings modestly and afford ample coverage for $2 dividend. Keener competition in industrial lines.
Columbian Carbon	27.0	9.5	1.61	47.9	9.0	2.69	44	2.00	4.5	B2	Oil exploration developments and expansion in gas output lend interest to stable carbon black producer. Adequate coverage indicated for $2 dividend.
Commercial Solvents	21.9	4.6	.39	50.2	2.7	.52	19	1.00	5.2	C1	Deal for distribution of penicillin and better results on other pharmaceuticals hold promise for recovery in earnings to warrant $1 dividend.
Davison Chemical	56.5[5]	5.1	3.27[5]	49.5[1]	4.2	3.24[1]	37	1.50	4.0	C2	Growth in sales enlarges earnings, but increased capitalization lowers share basis. Wide coverage for $1.50 rate. W. R. Grace becomes major stockholder.
Diamond Alkali	43.4	8.0	1.40	76.6	7.1	2.18	29	1.50	5.1	B2	Enlargement of facilities helps boost sales and earnings. Broader diversification sought to improve competitive position. $1.50 rate likely to hold.
Dow Chemical W	430.3[4]	8.3	1.58[4]	407.1[2]	8.8	1.66[2]	36	1.00	2.7	A2	One of major producers of wide variety of chemicals with emphasis on plastic materials. Earnings stable adequate to cover $1 rate, supplemented by stock.
du Pont W	902.1	12.7	2.41	1.613.0	13.8	4.70	100	3.55	3.5	A1	Larger volume contributes to higher earnings, which may reach $5.50 for year, suggesting possibility of rise in dividend. Long range growth promising.
Food Mach. & Chem.	119.8	5.2	2.01	223.4	4.7	3.41	36	2.00	5.5	B2	Rising cos's present handicap on earnings despite uptrend in sales. Profits may compare favorably with 1952 despite labor trouble. $2 rate seems secure.
Freeport Sulphur	22.5	18.2	1.71	38.2	19.1	3.05	45	2.00	4.4	B1	Promise of relatively high industrial activity regarding as reassuring for earnings. Expansion in oil and discovery of nickel add interest. $2 rate secure.
Hercules Powder	99.9	6.7	2.44	187.4	6.0	4.03	68	3.00	4.4	B1	Development of new products contributing to sales gains. Diversification bolsters competitive position. Earnings indicated higher, but dividend may hold at $3.
Heyden Chemical	12.7	6.1	.49	22.2	5.4	.65	14	.50	3.5	C2	Unsatisfactory margins on bulk antibiotics and lower exports hamper earnings despite moderate sales gains. Dividends likely to hold at reduced 50c rate.
Hooker Electro-Chem. W	19.1	9.0	1.51	35.1[3]	8.6	2.90[3]	57	2.00	3.5	B2	Good demand sustains volume, but margins suffer slightly from rising costs. Net likely to compare favorably with 1952 and dividends to remain on $2 basis.
Inter. Min. & Chemical	62.9[6]	6.7	1.72[6]	84.5[1]	7.8	2.90[1]	31	1.60	5.1	C2	Dependence on materials for fertilizer still high despite efforts to diversify. Earnings well sustained near $3 a share. Expansion costs may hold dividend at $1.60.
Mathieson Chemical W	123.6	7.4	1.62	147.1	9.2	3.44	39	2.00	5.1	B1	Broad growth in sulphuric acid and petrochemicals bolsters strong position in alkalis. Aggressive expansion points to earnings gains. Dividend stable at $2.
Monsanto Chemical W	175.2	7.7	2.51	266.7	8.6	4.29	88	2.50	2.8	A1	Despite some slackening in demand for some products, volume expected to rise moderately and lift earnings above 1952 showing. Dividend of $2.50 protected.

1—Year ended June 30, 1952.
2—Year ended May 31, 1952.
3—Year ended November 30, 1952.
4—Year ended May 31, 1953.
5—Year ended June 30, 1953.
6—9 months ended March 31.

the end of World War II, it is calculated that $12 billion or more will be ploughed back into plant and equipment.

Importance of Research

Probably no other industry has such modern facilities. Its ability to provide funds for technological progress and for continually expanding markets for larger output is the secret of its impressive growth. Growth in volume stems from new products as much as from promotional efforts and increase in population. Industry authorities point out that two years ago 40 per cent of sales could be traced to products developed in research laboratories and put on the market in the preceding fifteen years. This percentage has tended to rise since the war, and it would not be surprising that within fifteen years after V-J Day more than half of the industry's sales could be comprised of products which had not been introduced to the public prior to the end of the war.

Although statistics in a commentary of this kind generally are reserved for the accompanying tabulations of earnings, *(Please turn to page 682)*

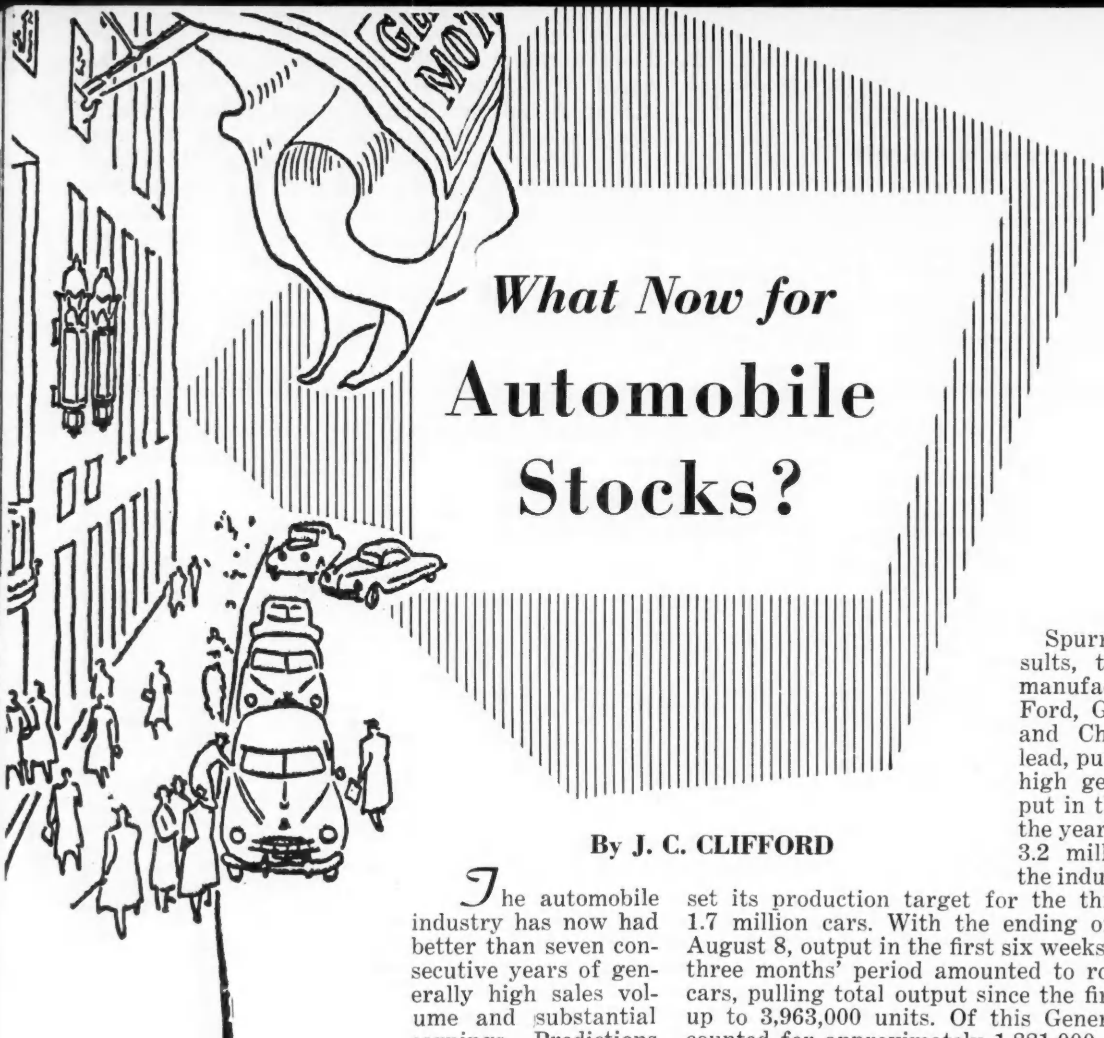
Position of Leading Chemical Companies (Continued)

	First Half 1953			1952							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Penn. Salt Mfg.	29.8	6.3	1.52	57.4	5.6	2.59	45	1.70	3.7	B2	Wide diversity of products contributes to earnings stability. Net profit expected to approximate 1952 total on slightly larger sales. Dividends may match 1951 $1.70 rate.
Rohm & Haas	61.9	5.4	3.62	105.7	5.1	5.73	133	1.60	1.1	B1	Strong growth trend noted in wide variety of products. Sales register sharp advance and earnings expected to top 1952 total of $5.73. Modest dividend to hold at $1.60.
Spencer Chemical	22.2[6]	15.1	2.88[6]	28.7[1]	14.7	3.61[1]	56	2.20	3.9	B1	Shows strong growth in agricultural chemicals and diversification in plastics. Would benefit importantly from ending of EPT. Dividends likely to hold at $2.20 rate.
Texas Gulf Sulphur	39.3	32.9	3.87	73.2	34.3	7.52	93	5.00	5.3	B2	Price increase expected to offset higher costs and reduced export sales, paving way for earnings moderately exceeding 1952 total. Slightly reduced dividends indicated.
Union Carb. & Carbon W	528.1	9.9	1.82	956.9	10.2	3.41	65	2.50	3.8	A1	Expansion in sales encourages prospect of increased earnings despite higher depreciation. High productivity in steel favorable. Year-end extra anticipated.
United Carbon	18.0	10.7	2.44	30.6	11.7	4.52	52	2.50	4.8	B2	Natural gas growing in importance along with crude oil. Good outlook for carbon black. Modest gain in earnings indicated possibly at double $2.50 dividend rate.
Victor Chemical	21.2	7.9	.90	35.6	7.4	1.39	27	1.05	3.9	B1	Promising rise in sales and wider margins point to sizable earnings improvement. Steady growth factor. Good diversification in products. Dividend set at $1.05.
Virg.-Caro. Chem.	54.5	4.0	2.46	77.6[1]	5.1	4.81[1]	21	......	....	C2	Fertilizer still accounts for bulk of sales, despite efforts to diversify. Earnings adequate for preferred dividends, but expansion costs balk common payments.

1—Year ended June 30, 1952.
2—Year ended May 31, 1952.
3—Year ended November 30, 1952.
4—Year ended May 31, 1953.
5—Year ended June 30, 1953.
6—9 months ended March 31.

Position of Leading Drug Companies

	First Half 1953			1952							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Abbott Laboratories	$44 .2	9.0%	$1.01	$ 85.5	10.3%	$2.25	42	$1.80	4.3%	B2	Progress in research and improved manufacturing results point to modest recovery in earning power. Small extra may supplement $1.80 dividend.
Merck & Co.	82.5	6.6	.46	105.7	7.9	.96	19	.80	4.2	B2	Consolidation of Sharp & Dohme holds promise of operating economies and substantial sales gains. Competitive position bolstered. Dividend secure.
Parke, Davis & Co.	53.6	8.0	.88	126.3	12.8	3.32	33	1.60	4.9	B3	Unfavorable effect of chloromycetin difficulties reflected in sharp earnings decline. Turn for better seen. Lower dividend seems possible.
Pfizer (Chas.) & Co.	59.8	12.7	1.48	107.0	10.6	2.17	28	1.15	4.1	B1	Firmer price structure in antibiotics and broadening market for specialties tend to sustain earnings. Ample coverage for $1 dividend.



What Now for Automobile Stocks?

By J. C. CLIFFORD

The automobile industry has now had better than seven consecutive years of generally high sales volume and substantial earnings. Predictions based on the belief that conditions were "too good to last", and that the industry was in for a letdown have been made in each of those years.

It may be that the industry itself, as the year 1952 drew to a close, had an idea that it would experience a change from the conditions that prevailed in the new car market as a result of the demand built up during the war years. In any event, most of the car builders were in accord as to 1953 being a year of greater competition. The concensus of opinion was that there was still a good market for their products, but dealers who formerly had buyers clamoring for cars now would have to get out and work for sales.

Output at Peak Levels

Either the dealers did a thorough selling job, or new car demand was away above the level estimated by the producers. New passenger car sales for the first six months of the year approximated an exceedingly satisfactory 2.8 million units. Sales in May of this year, for example, were higher than since December, 1950, 6540,575 new cars being registered during the month. This large total was 12,000 units over April registrations and marked the sixth consecutive month in which new registrations showed gains.

Spurred by these results, the automobile manufacturers, with Ford, General Motors and Chrysler in the lead, put production in high gear. Total output in the first half of the year approximated 3.2 million cars, and the industry as a whole set its production target for the third quarter at 1.7 million cars. With the ending of the week of August 8, output in the first six weeks of the current three months' period amounted to roughly 760,000 cars, pulling total output since the first of the year up to 3,963,000 units. Of this General Motors accounted for approximately 1,881,000, Ford 858,000, and Chrysler about 820,419, followed by Studebaker with 124,000 and Nash with 107,000 units, the remaining being divided among Packard, Hudson and Kaiser Motors.

Right now, however, there appears to be indications that some of the car builders in the so-called independent group are beginning to find the going getting a little rougher. Up to the middle of last month, Nash hadn't produced a car in six weeks, and Kaiser Motors has now gone nine weeks without turning a wheel, and as the month of August drew to a close was joined in idleness by its subsidiary, Willys Motors, Inc.

The reason given for the Willys' shut-down is currently unbalanced inventories. This seems to be a statement that might be interpreted in more ways than one. However, the closing down of its assembly lines and the laying off of 1,000 production workers came as somewhat of a surprise inasmuch as Willys lost five weeks production in May and June because, as it was explained then, of the shortage of parts as a result of the 10-week strike at the Muncie plant of the Borg-Warner Corp.

Willys production up to the time of the shutdown had been at about the same rate as that in the corresponding months of 1952. Kaiser Motors had not been faring as well. During the first half-year sales of the Henry J fell about 60%, with Kaiser models

down about 22% from the 1952 first half-year levels. On top of this, Kaiser was jolted by the loss of its Air Force contract for the construction of C-119 flying boxcars and a sub-contract for C-123 planes. General Motors, however, has been booming along turning out close to 5,000 Chevrolets daily, holding production of Buicks, Pontiacs and Oldsmobiles at a high level until it was forced to slow down on these because of a shortage of "Hydra-Matic" transmissions due to the fire that recently gutted its Livonia plant manufacturing.

It is obvious that some of the "independents" have been feeling effects of the keener competition. According to trade publications, this group's share of sales in the first six months of this year was cut to 11% from 13.5% in the first half of 1952, while General Motors, Chrysler and Ford raised their combined share to 89% from 86.5%, the biggest portion of the gain going to General Motors which accounted for about 47% of 1953's first half-year output.

The situation for the group may not show much, if any, improvement during the balance of the year. Up to a few months ago, new car dealers were able to take advantage of used car demand by making liberal trade-in allowances and getting that allowance and more from a used car buyer. This situation has undergone a marked change. One reason is, used car prospects are not as numerous as heretofore and banks and other money lenders are, in many instances, drawing the line at financing the purchase of cars over four years old, or where loans are granted, are asking for heavier down-payments.

For the time being, at least, used car inventories in the hands of new car dealers and in the used car lots have reached a postwar high. It was estimated that at the beginning of August, this year, dealer inventory averaged 13.2 new cars, compared to 3.9 units at the same time a year ago, although it should be borne in mind that the situation then was somewhat abnormal. The mid-summer steel strike, extending into practically the final week of July, 1952, had caused car builders to cease operations in a number of instances, due to the steel shortage.

Nevertheless, many new car dealers are confronted, at this time, with the problem of moving inventories. Some, in an effort to hold their profit to the line are

Statistical Position of Automobile and Truck Manufacturers

	First Half 1953			1952							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Chrysler	$1.874.2	2.3%	$5.07	$2.600.9	3.2%	$9.04	72	$6.00	8.3%	B2	Current year's net may dip slightly under 1952's $9.04 a share. Present dividend rate should hold through balance of year.
Diamond T	41.9	1.0	1.08	79.9	1.3	2.46	11	1.00	9.0	C3	Has better-than-average earnings record. 1953 net, however, likely to dip under 1952 results, but dividend coverage should be ample.
Federal Fawick	10.1	(d)1.6	(d) .17	13.5	(d)1.2	(d)1.16	5	.....	....	C3	Possible that 1953 results might produce a smaller deficit than that shown for 1952. No immediate dividend prospects.
Fruehauf Trailer	105.4	3.5	2.39	155.7	3.6	3.61	25	2.00	8.0	B1	Trailer-truck demand giving company one of its best years. Earnings likely to approach $4.50 a share against $2.00 annual dividend rate.
General Motors	5.440.5	5.7	3.52	7.549.1	7.4	6.26	60	4.00	6.6	B2	Another excellent year for this leader. Likely to show net close to $6.50 a share, $4.00 annual dividend should hold.
Hudson Motor Car	119.6	1.5	.94	214.8	3.8	4.16	11	1.00	9.0	C3	Sharp drop in 1953 earnings indicated. Company has strong finances and modest dividend should be maintained.
Kaiser Motor Corp.*	161.9	....	......	302.9	1.5	(d)1.03	3	.....	....	C3	Difficult to foresee any improvement for this company, especially if car competition gets tougher. No prospect for dividend.
Mack Trucks	88.4	1.4	.84	170.5	.6	.70	10	.....	....	C1	Should do well this year in comparison with 1952. Might pay a dividend but likely to delay for better view of 1954 conditions.
Nash-Kelvinator	387.8[1]	3.9	3.48[1]	358.4[2]	3.5	2.90[2]	20	2.00	10.0	C1	Larger volume and upping of prices boosted profit margins this year. Should continue current dividend rate.
Packard Motor	222.2	2.7	.42	233.7	2.4	.39	5	.20[3]	4.0	C1	Has shown good gains under aggressive management, but 1953 net will restrict dividend to small amounts.
Reo Motors	77.0	2.1	3.04	156.1	2.0	6.03	19	2.00[4]	10.5	C2	Should come close to matching good 1952 results this year. Current cash dividend rate should hold.
Studebaker	349.0	.6	1.00	585.3	2.4	6.05	31	3.00	9.6	C3	Disappointing first-year portends sharp drop in 1953 net. Dividend conservative and should hold through 1953.
Twin Coach	16.4	1.8	.49	42.1	2.1	1.62	7	.50	7.1	C3	Final half-year may show some gain over meager 49 cents a share in first six months. Modest dividend covered.
White Motor	77.1	2.5	2.52	148.5	2.3	4.44	26	2.50	9.6	C1	Combined military and civilian business presages 1953 earnings gain. Dividend well covered and should hold through 1953.

(d)—Deficit.
*—Formerly Kaiser-Frazer Corp.
[1]—9 months ended June 30, 1953.
[2]—Year ended September 30.
[3]—Paid so far this year.
[4]—Plus stock.

cutting trade-in allowances and losing business to those who are willing to give up a small piece of their profit on new car sales, and thus are continuing to get the business. This is especially true of those taking in used cars that for years have held a better resale value than others. The important thing, however, is for car dealers to get back to reality. Some of the used car lots may have to take some sort of a "beating" and perhaps go out of business, but when the necessary adjustments are made it should not be long after when excessive inventories of used cars are back to normal. The industry is exerting every effort to achieve this objective. General Motors, Chrysler, and Studebaker have stepped up new car advertising in the various media and are utilizing space in these "ads" to call attention to the "bargains" in used cars in their dealers' hands. Nash has gone further than that by taking full page newspaper spreads to help dealers work off stocks of used cars they have taken in trade.

Prospect for New Car Sales

Meanwhile, the automobile industry may see a slowing lown of new car sales, possibly in the final quarter of this year, but there is still going to be a demand that should hold industry sales at levels permitting profitable operations for those companies with competent sales organizations and backed up with efficient advertising and other sales promotion efforts. Of the 42 million cars on the roads today, almost 50%, or about 20 million odd are eight years or more old. It is estimated that in excess of 3 million cars are sent to the scrap heap annually, creating important replacement business. This is, of course, augmented by normal increase in new car buyers, and if the general economy is sustained at current levels, new car business could be swelled by a quicker turn-over of cars from three to five years old.

Cutbacks in Defense Orders

The auto makers, along with the truck builders, are facing cut-backs in defense business with the slashing of more than $1 billion from the tank-truck programs by next spring. The action will affect medium tanks, the M-48, and 2½-ton and 5-ton trucks, output of which will be cut from a current monthly rate of $160 million to under $50 million. In view of this reduction, the Army is aiming to establish a single source of supply. The M-48 medium tank is now being built by Ford, General Motors and Chrysler. Ford will probably finish out its contract by the end of this year while GM and Chrysler will continue production until possibly next March. After that one or the other of these two companies will be building the M-48. Both submitted bids for the work at the beginning of last month. These are now being considered and it is possible that the name of the successful bidder will be announced within a week or so, and perhaps before.

This is along the same plan that the Army adopted relative to the building of additional 5-ton trucks. These are presently being constructed by Mack, Diamond T, and International Harvester. All three will continue producing this type of truck for Ordnance until sometime next spring, after which the work will be centered in International Harvester, the successful bidder.

Position of Truck Builders

At the present time only GM's truck division and Reo Motors are producing the 2½-ton trucks under defense contracts, Studebaker Corp., having completed its production around Sept. 1st. Reo is well represented in this work. It was awarded last May a $61.8 million contract for military vehicles and spare parts, the bulk of which being for the 2½-ton trucks bringing total unfilled orders at that time to approximately $153 million. Either GM's truck division or Reo Motors will continue producing this type of truck after January of next year when production is centered in the successful bidder.

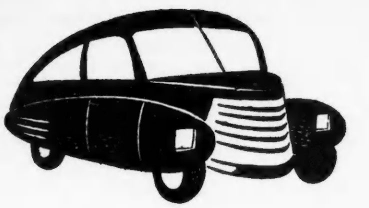
The truck builders, in general had a good first half-year. Standing well out in front in this group is Reo Motors with net equal to $3.04 a share, compared to $3.55 a share in the first half of 1952. Running a close second, White Motor ended the first half of 1953 with net of $2.52 a share, up from $2.12 a share realized in the corresponding 1952 period. Truck production is likely to ease off during the balance of the year, but even so full 1953 earnings for these companies should come close to paralleling last year's per share earnings.

Truck trailer companies have had a particularly good first six months in 1953, with most of them anticipating a good sales volume throughout the remaining months, but this optimism is tempered by the expectation that second half-year sales will fall just short of matching the fast pace set in the earlier months. Fruehauf Trailer, for instance, reported for the first half of the year, net sales of close to $105.4 million, compared with $82.5 million a year ago on which it earned $1.90 a share, against $2.39 a share in the first 1953 half-year.

Among the passenger car builders, Studebaker appears headed for a disapointing 1953. Net in the first half-year was held to no better than $1.00 a share. This is not likely to be improved upon to any extent in the final six months, an outlook that creates some uncertainty regarding what dividend policy will be followed in 1954, under greater competition. Of all the independents, however, Studebaker, appears to be in about the best competitive position. During the postwar years, it has spent close to $110 million on expansion and modernization, and greatly strengthening its finances, all through retained funds. Hudson has endeavored to better its competitive position by introduction of its Jet model, in the same price class as Chevrolet, Plymouth and Ford. Unquestionably, it is going to come up against tough competition, the results of which cannot, of course, be foreseen.

Both General Motors and Chrysler should round out 1953 with net approximating last year's results. Should new car sales ease off in 1954, GM can be depended upon to get its share of business, and earnings, allowing for a tapering-off of defense work, would be aided by the company's divisions operating in fields other than automobiles. These divisions, incidentally, should prove to be important contributors to GM's further growth over the years.

The immediate outlook for Chrysler is for maintenance of dividends at the $6.00 rate throughout the rest of 1953, and most likely into 1954. What policy management then decides upon so far as dividends are concerned will undoubtedly be determined by the prospects of 1954 business. An important factor is likely to be the desire to strengthen working capital and cash position inasmuch as both items are comparatively tight following the company's expenditures during the postwar years of more than $530 million, all from internal sources, on new production facilities.



The automobile equipment industry covers an extremely wide assortment of miscellaneous industrial products and in recent years has expanded far beyond its original functions. This article describes the important changes which are taking place.

AUTO Equipments and Defense Cutbacks

By JOHN D. C. WELDON

Most automobile parts makers had a profitable first half-year in 1953. The good six months' business was better than expected inasmuch as there had been predictions in some quarters as the year opened that automobile production would be down somewhat from the 1952 level.

Apparently, such sentiment was not shared by the automotive industry which started the year at a fast pace. By June 30, the automobile manufacturers had turned out 3.2 million cars and held their production momentum throughout the entire month of July. Passenger car assemblies in that month reached the highest level for any similar period since October, 1950. On the basis of this showing the producers of automobile parts are optimistic over the outlook for the third quarter, especially in view of the fact that the car builders set their production target for the three months ending Sept. 30, at 1.7 million cars. This optimism, however, does not carry over into the final quarter, usually the slowest period for automobile sales although there is the possibility that new models of the various car builders soon to start coming off the assembly lines may prove a strong stimulant to car sales through the balance of the year.

The parts manufacturers, however, are not entirely dependent upon the passenger car and truck builders. Replacement parts business is continually developing in importance. With somewhere around 8.5 million trucks and more than 42 million cars on the roads, the replacement market provides a substantial outlet for the production of spark plugs, brake lining, ignition system parts, fuel pumps, storage batteries, mufflers and other parts or equipment subject to wear. Certain parts manufacturers have also been benefitting from defense work, particularly those supplying parts to the aircraft builders having heavy backlogs of military orders.

Moreover, many of the companies falling into the automobile accessories or equipment classification have extended operations into other fields far removed from the automotive field. For this reason it is impossible to resort merely to generalities when discussing this group or attempting to gauge the outlook for them solely on the prospects of the automobile industry, even though the manufacture of automobile equipment constitutes a good portion of their business. A good illustration of this is Clark Equipment Co., a producer of transmissions, axles and axle housings for trucks and busses, which has not only developed a market for these items among builders of industrial equipment and farm tractors but has worked up a substantial business in materials-handling equipment which it also manufactures. This line embraces fork-lift trucks, powered hand trucks, and industrial towing tractors, sales of which account for close to two-thirds of the company's annual volume. In common with others usually rated as auto parts makers, Clark continues to diversify. Only recently, it acquired the Ross Carrier Co., builders of excavating and crane equipment for earth-moving and construction operations, as well as a line of heavy-duty fork-lift trucks, the latter supplementing those that Clark is already turning out.

An Important Trend

As a result of this expansion into other fields it is quite obvious that in attempting to gauge Clark's outlook factors to be weighed are the prospects for its heavy transmission equipment business and the possible conditions that will govern the company's highly important materials-handling business, now augmented by the addition, through Ross Carrier acquisition, of power shovels, cranes, draglines and related equipment. Other auto parts makers are

Statistical Data on Leading Automobile Parts and Accessories Companies

	First Half 1953			1952							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Invest-ment Rating	COMMENTS
American Bosch	$......	....%	$......	$ 90.5	d .5%	d$ .54	8	$......	....%	C3	Despite high sales volume, net income shows downtrend. Little likelihood of dividend resumption this year.
Bendix Aviation W	478.0	2.6	5.96	508.7[1]	3.0	7.22[1]	58	3.75	6.4	B1	Good civilian business bolstered by heavy backlog for aircraft components. Earnings continue uptrend providing solid base for dividend.
Bohn Alum. & Brass	34.8	2.3	1.54	51.7	1.6	1.66	19	1.00	5.2	C1	Recovery in earning power under more favorable industry conditions. Will probably hold to 25c quarterly dividend rate.
Borg-Warner W	202.5	5.3	4.41	353.9	6.4	9.33	72	5.00	6.9	B3	1953 net likely to fall short of duplicating that of 1952. However, will still show wide margin over dividend needs.
Boker Roller Bearing	21.3	6.7	1.60	34.2	7.8	2.99	27	2.00	7.4	B2	Good half-year presages 1953 net of close to $3 a share, against $2 a share annual dividend requirements.
Briggs Mfg.	....	....	2.01	306.2	1.8	2.93	35	3.25	9.2	C1	Will probably better last year's $2.93 a share, but margin over $3.25 a share dividend is likely to be thin.
Briggs & Stratton	21.9	7.8	2.88	40.6	7.5	5.16	39	2.75	7.0	B2	First half-year results indicate 1953 earnings paralleling those of 1952, again providing wide dividend coverage.
Camp., Wyant & Can.	17.8	4.0	2.10	31.8	4.4	4.07	22	2.00	9.0	C2	Net in final half may dip under good first six months' showing, but year's dividend needs amply covered.
Clark Equipment W	64.8	4.7	2.70	131.8	4.1	5.46	36	3.00	8.3	B1	Expanding its materials-handling equipment business. Will probably show 1953 net of $5 a share against $3 a share dividend needs.
Clevite Corp.	37.6	5.3	1.04	53.3	6.4	1.97	22	1.00	4.5	C2	Earnings for current year should duplicate 1952 results. Dividend rate conservative and should hold.
Collins & Aikman	14.1[5]	1.1	.30[5]	48.5[2]	2.2	1.95[2]	17	1.60[10]	9.4	C3	Competition cutting into sales. Outlook not too bright and some uncertainty prevails over future dividend policy.
Dana Corp.	155.7[4]	5.7	3.47[4]	162.6[3]	5.8	3.73[3]	33	3.00	9.0	C2	Had good 1953 fiscal year, widening margin over current annual dividend needs.
Eaton Mfg. W	108.9	5.0	3.07	181.8	3.4	5.27	40	3.00	7.5	B1	Development of new items aiding sales and earnings. Current year's net should provide broader coverage for current dividend needs.
Electric Auto-Lite	154.1	3.6	3.64	271.1	3.6	6.55	44	3.00[11]	6.8	B2	Earnings for current year expected to closely parallel 1952 net of $6.55 a share, against $3.00 annual dividend.
Electric Storage Bat.	45.0	.7	.39	108.9	1.4	2.48	29	2.00	6.8	B3	Modernization program benefits may improve last half-year net, but full year's results may fall short of dividend needs.
Hayes Mfg.	15.3[8]	3.1	.46[8]	16.7[1]	4.0	1.08[1]	6	.60	10.0	C3	Has an erratic earnings record, and attempting to improve position through diversification. Will probably earn dividend by thin margin.
Houdaille-Hershey	49.4	3.7	2.07	64.6	3.3	2.22	15	1.20	8.0	C1	Profitable first half-year indicates material gain in 1953 over 1952 net of $2.22 a share. Could pay an extra.
Kelsey-Hayes Wheel	99.3[4]	3.0	2.47[4]	102.7[3]	4.3	3.63[3]	18	[12]	....	C2	Slight drop in current fiscal year net indicated from $3.63 a share in previous year. Capital structure change necessitates new dividend policy.
King-Seeley Corp.	32.9[9]	4.3	3.07[9]	31.5[6]	5.2	3.50[6]	25	2.00	8.0	C2	Current fiscal year likely to show gain over net of $3.50 a share last year. Present dividend rate should hold.
Midland Steel Prod.	37.9	4.6	2.84	65.0	6.5	7.19	39	3.00	7.6	C3	Net for 1953 likely to be considerably under good 1952 results, but dividend well based and bulwarked by strong finances.
Motor Products	75.5[13]	3.0	4.70[13]	74.2[7]	3.8	6.11[7]	27	2.00	7.4	C2	Improved parts volume and Deepfreeze sales likely to produce 1952-53 fiscal year net well in excess of $2 a share dividend needs.
Motor Wheel	47.6	3.4	1.94	68.8	3.7	3.07	24	2.00	8.3	C1	Will most likely improve on 1952 net this year. Dividend well covered and should hold.

d—Deficit.
1—Year ended Sept. 30, 1952.
2—Year ended February 28, 1953.
3—Year ended August 31, 1952.
4—9 months ended May 31.
5—Quarter ended May 31.
6—Year ended July 31.
7—Year ended June 30.
8—9 months ended June 30.
9—9 months ended April 30.
10—Paid in 1952.
11—Plus stock.
12—Not available due to reclassification of stock.
13—9 months ended March 31.

moving along in the same direction, their motive being to free themselves from uncertainties always characteristic of the auto parts industry with its cyclical conditions and the greater uncertainty created by the car builders shifting contracts for certain parts from one parts maker to another.

Perhaps a more outstanding example of the trend by auto parts makers into other fields is Bendix Aviation Corp., for more than a quarter of a century a great name in the automotive industry to which it supplies "a hundred and one" essential parts going into the building of trucks, busses and passenger cars. This business, however, is but one segment of its now greatly diversified operations. Bendix has built up its engineering department personnel to approximately 6,000 in number. This group includes specialists in every branch of modern industrial science—chemistry, electronics, magnetics, hydraulics, pneumatics, fuel combustion, aerological physics, metallurgy, and nuclear energy—as well as in the most modern production and manufacturing techniques. Bendix is serving such basic industries as agriculture, aviation, electronics, construction, marine, petroleum, textile, the railroads, and, of course, the automotive. Its products range from bicycle coaster brakes to radar equipment, guided missles equipment to one of the latest developments—an electronic navigational system.

Government needs, upon the outbreak of the Korean incident, put a tremendous load upon Bendix. At one time, Sept. 1952, to be specific, its backlog of unfilled orders was $721 million, the major portion of which represented orders for aviation and ordnance equipment, and engineering research. Much of this work has been classified for reasons of security out of which, the company expects, will come many new production activities, offsetting, to a considerable extent, diminishing defense orders beginning in the current year and continuing, most likely into 1955. Today, Bendix is an important factor in aviation and the many other industries it serves, with the growing trend toward process control and the use of automatic devices creating markets not heretofore touched by the company.

Considering the broad diversification of Bendix's operations, it would be impossible to draw anything but a distorted picture of the company if the lines were confined to merely depicting its operations in connection with automobile parts and equipment. The same statement applies with almost equal force to Thompson Products, Inc., that did a business of $274 million in 1952, and promises to surpass that volume in the current year, having shown sales of $169.4 million in the first (*Please turn to page* 686)

Statistical Data on Leading Automobile Parts and Accessories Companies (Continued)

	First Half 1953			1952							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Murray Corp. of Amer.	75.1[4]	2.9	2.13[4]	81.3[3]	4.9	3.87[3]	19	2.00	10.5	C3	New accounts and acquisitions has broadened earnings base but still below 1952. Has strong finances and dividend should hold.
Raybestos-Manhattan	38.2	4.5	2.79	73.2	4.3	5.06	39	3.00	7.6	C2	Good original equipment sales and further diversification portends another profitable year in 1953. Year-end extra possible.
Reynolds Spring	5.2[8]	.2	.04	7.2[1]	d 4.1	d 1.06[1]	6	......	....	C3	Some improvement in current year over 1952 deficit likely, but not enough to justify nearby dividend resumption.
Smith, A. O.	161.8[9]	1.4	2.41[9]	178.3[6]	2.8	5.02[6]	28	2.00	7.1	B3	Current fiscal year net not likely to come up to good previous year's showing. Dividend, however, should be earned by comfortable margin.
Standard Steel Spr.	85.5	4.1	1.51	144.0	4.4	2.80	22	2.00	9.0	C2	Has improved its position. Likely to moderately better 1952 net and should maintain present dividend rate.
Stewart-Warner	67.3	3.1	1.60	122.5	3.4	3.30	20	1.75	8.7	C2	One of the leaders in the auto accessories field, being aided by defense orders. Dividend should be amply covered.
Thermoid	21.1	3.7	.90	36.7	2.9	1.20	8	.40	5.0	C2	1953 earnings will probably show modest gain over 1952's $1.20 a share. Could give slight boost to current dividend rate.
Thompson Products W	169.4	3.1	4.37	274.0	3.3	7.51	51	2.00	3.9	B1	This strong parts supplier is developing an important position in jet engine field. Broad dividend coverage assured.
Timken-Detroit Axle W	182.8[13]	2.8	2.32[13]	233.3[7]	2.9	3.02[7]	22	2.00	9.0	C2	Will probably match 1952 net of $3.02 a share this year, providing ample coverage for dividend.
Timken Roller Bear.	103.4	5.8	2.50	169.6	6.2	4.38	41	3.00	7.3	B2	Benefitting from original and replacement demand. 1953 net should gain moderately over last year's $4.38 a share. Dividend on solid ground.
Young Spring & Wire	44.0	2.8	3.04	43.4[6]	2.2	2.42[6]	27	2.00	7.4	C1	Should show material improvement this year over 1952 results hampered by steel strike. Should maintain present dividend policy.

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1—Year ended Sept. 30, 1952.
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4—9 months ended May 31.
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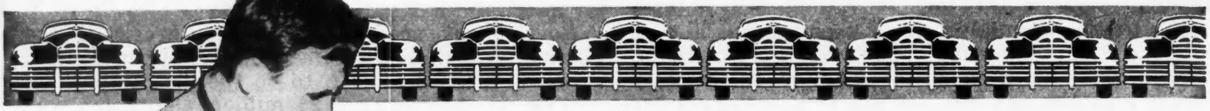
13—9 months ended March 31.



Are Rubbers at Peak?

By GEORGE L. MERTON

Tire manufacturers, off to a good start, in the first half of the year, are confident that full 12 months operations are going to prove highly profitable.

It has been estimated that the nation will probably use more rubber in 1953 than it has in any previous year, with consumption greater than the entire world's use of rubber in 1940, which set a record high for any of the prewar peacetime years. Supporting this estimate are the production figures of the casings makers for the six months to June 30, last. The calendar year opened on a fairly high note. By the time January came to an end casings shipments totaled 7.8 million, 1.3 million more than had been shipped in January of the previous year. Approximately 904,000 casings of this gain was original equipment business.

The pattern established in the opening month was closely followed, with some month-to-month variation, through the balance of the first-half with the industry rounding out the period with total shipments of passenger car, truck and bus casings of 50.5 million, up 8.2 million over shipments in the first half of 1952. Passenger car casings shipped as original equipment accounted for a little more than 5.5 million of this gain and reflected the high rate of new car output by the automobile builders who turned out better than 3.2 million passenger cars in the first half-year. Another 2.3 million in the total shipments gain represented passenger car replacement casings, and although truck and bus original equipment shipments were off by 192,000 units, and exports dropped by 129,000, there was sufficient replacement business to pull the first six months' truck and bus shipments total to 7.7 million, for a gain of 419,000 casings.

It would, perhaps, be too much to expect the automotive industry to maintain in the final half of 1953, the fast production pace it established in the first six months. The car builders, after rounding out the first half-year, set their third quarter production target at 1.7 million cars and looking ahead a bit expressed the belief that the new car market would justify fourth quarter production of somewhere around one million units. At the present, it appears that the automobile industry may have to lower its enthusiasm an octave or two, meaning that original equipment business for the tire manufacturers may not measure up to the volume enjoyed in the first six months. This would not be unreasonable, considering that if the automobile industry were to achieve such a rate of production in the last two quarters of 1953 it would mean an output for the year of approximately 6 million cars, or only about 600,000 less than were produced in 1950, an all-time record largely because of scare buying caused by developments in Korea.

The tire makers will undoubtedly experience comparatively good demand for original equipment, but are looking to the replacement market to take up any slack that may develop in direct sales to the automobile manufacturers. Up to the end of last June replacement shipments of passenger car tires reached 24.7 million, compared to 22.4 million in the corresponding period of the preceding year. The latter volume turned out to be roughly 49.3 per cent of the total replacement volume for the full year, amounting to a little more than 45.4 million.

It is quite possible that 1953 will prove to be a much bigger year for replacement business with total volume running close to 49.5 million casings. Giving credence to this expectation is the number of cars that came off the car builders assembly lines in 1949 and 1950—better than 11 million in those two years—that are about ready for a complete replacement of original tire equipment. Of course, there is no way of determining tire conditions on the older cars, about 20 million in all, that have been in use from 8 to 12 years or more, and have used up in that time several complete sets of tires, some of which will again have to be replaced before the current year is out.

This outlook forms the base for the optimism among the tire manufacturers as to the state of business in the last half of the year. In anticipation of comparatively high original equipment sales and maintenance of replacement business at least equal to the first six month's volume, the industry has built inventories of passenger car casings to 12.8

million as of June 30, last. By comprison with inventories of 8.6 million on the same date a year ago, this amount of stock seems high, but still is at a lower level than in any of the five preceding months, having declined from a peak of 16.9 million as of May 30 last, even though total passenger car casings production in the interim had held at better than 7.3 million. Unless estimates of final half-year tire requirements are drastically wrong, there does not appear to be anything for the industry to worry about so far as inventories are concerned.

By the same token, this reduces the possibility of price-cutting tactics in the replacement field making a reappearance. Neither it is expected that the recent fall in the price of natural rubber, taking it down to a 3½-year low of around 23½ cents a pound, will have any effect on tire prices. At that level natural rubber is about a cent a pound less than the price of the synthetic rubber laid down at the tire maker's rail siding. Moreover, until the natural material goes down another three or four cents, tire manufacturers may prefer to favor the synthetic, as a change-over would necessitate altering formulae and specifications, as well as making some adjustments in tire making equipment. Then, too, it is generally agreed that passenger car tires made up of about 10 per cent natural and the balance of synthetic rubber are equally as good as those made entirely of natural rubber, and, as a matter of fact, are considered by the trade to have more endurable treads. The prospects then, for the rest of the year, are for stable tire prices although output of non-tire lines are likely to show variations in trends, but over-all sales of industrial and other rubber goods should hold at generally high levels, and it is expected that further gains will be recorded by those companies manufacturing foam rubber products and chemicals. Defense orders continue to be an important factor in production schedules and are expected to account for 1953 sales in about the same ratio as that of last year. This is small-profit business, however, adding little to total earnings. As illustrative of the general trend, we append a few remarks on several of the leading companies.

For the B. F. Goodrich Co., direct and indirect sales to Government in 1952 approximated 13.9 per cent of total sales of $624.1 million. Net for the year was equal to $7.60 a share, the second best year in Goodrich's last 13, despite work stoppages, although of comparatively short duration, at two of the company's plants and the granting of wage increases together with fringe benefits within the course of the year.

On the basis of 1953 first half-year showing, Goodrich appears to have set the ground work for the highest sales in its entire history, possibly exceeding by a wide margin the record $637.7 million sales in 1951, in which year it earned $8.15 a share. Actually, net sales in the first half of the current year totaled $350.3 million, a gain of better than $53 million over those for the first six months of 1952, with per share net rising to $4.03, compared with $3.46 in the earlier year. While continuing to maintain its front-rank position as a tire and tube manufacturer, Goodrich also continues its rapid expansion in chemicals and plastics, having made capital expenditures of approximately $40 million, all from retained earnings, in the two years 1951-52 for expansion and improvements in manufacturing, distributing, and research facilities. Total capital expenditures through 1953 will probably run in excess of $22 million, without the necessity of resorting to outside financing. The current dividend rate of 65 cents a share quarterly is solidly based, and should again be augmented in 1953 by a 50 cents year-end extra.

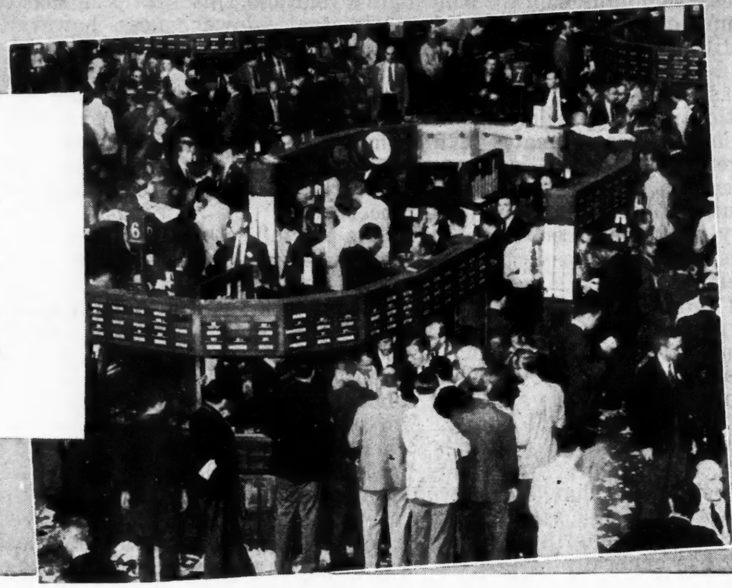
The United States Rubber Co., appears to be again heading for record sales. In the first half its sales volume reached $453.8 (*Please turn to page* 688)

Statistical Position of Leading Tire & Rubber Companies

	First Half 1953			1952							
	Net Sales (Millions)	Net Margin	Net Per Share	Net Sales (Millions)	Net Margin	Net Per Share	Recent Price	Indicated Current Div.	Div. Yield	Investment Rating	COMMENTS
Dayton Rubber	$ 29.8[1]	2.9%	$1.41[1]	$ 54.0[2]	2.7%	$2.47[2]	20	$2.00	10.0%	C2	Good diversification aiding sales gains and stabilizing earnings. Ample dividend coverage assured.
Firestone Tire & Rubber	487.8[1]	4.3	5.32[1]	965.3[2]	4.4	10.89[2]	59	3.50	5.9	B2	Indicated new high in sales and sustained tire profit margins should hold net at last year's level. Another extra may be paid.
General Tire & Rubber	98.3[3]	3.4	2.73[3]	185.9[4]	3.3	4.82[4]	29	2.00	6.8	B2	New sales peak and modest earnings gain indicated for current fiscal year. Dividend should hold at 50c quarterly.
Goodrich, B. F.	350.3	4.8	4.03	624.1	5.2	7.60	68	2.65	3.8	B2	Stock currently selling on basis of growth potential. 1953 net estimated at $8 a share. Expansion plans likely to hold dividend to current rate.
Goodyear Tire & Rub.	616.3	3.7	4.93	1.138.4	3.4	8.30	51	3.00	5.8	B1	May better 1952 net of $8.30 a share this year. Relatively modest dividend may be augmented by extra in stock.
Lee Rubber & Tire	20.9[1]	3.9	3.08[1]	45.3[2]	3.9	6.66[2]	50	3.50	7.0	B3	One of the smaller, but diversified rubber fabricators. 1953 net likely to dip under 1952 showing. Dividend well earned.
Seiberling Rubber	20.9	2.5	1.07	41.6	1.8	1.48	10	1.00	10.0	C2	Had good first half-year and should record moderate gain over 1952 net. Dividend should hold.
U. S. Rubber	453.8	3.2	2.23	851.1	3.3	4.33	26	2.00	7.6	B2	Current year's net should parallel 1952's $4.33 a share. Expansion program holding dividend to $2.00 a share rate.

[1]—6 months ended April 30.
[2]—Year ended October 31, 1952.
[3]—6 months ended May 31.
[4]—Year ended November 30, 1952.

FOR PROFIT AND INCOME



Finished?

At this writing, market behavior suggests that the "summer rally" is probably finished. It did not amount to much when figured as a rise of about 5.3 from the June low by the industrial average and of 8.4% by the rail average. But since it amounted to recovery of about half of the March-June decline by industrials, and nearly two-thirds by rails, it met normal technical expectations in considerably more than minimum degree. In a narrow-range market, the question and the test shift quickly from upside to downside potential. Only recently, traders and others influenced by technical performance were debating the question whether the recovery might go further. Now their question is whether the June lows will hold on likely test.

Rails

On 1952 phases of advance and on 1953 rallies up to early July, performance of the rail average was superior to that of the industrial average. The reverse has now been so for some weeks, despite currently excellent rail earnings. Rails recorded a summer high on July 8, the industrial average over a month later on August 14. Since they generally move faster than industrials, both ways, rails can test their June lows more quickly than industrials—possibly even before you read these observations. At this writing, the rail average is roughly 3% above its June low, industrials 4%. But rails are already back to where they were by mid-June after less than two weeks of rally. Industrials are no lower than they were in late July after six weeks of rally. Why are rails leading on the downside test in the face of notably high earnings, which were some 30% above a year ago in the first half? Answer: rail earnings are subject to generally sharper shrinkage in expected business recession than are industrial earnings; and they will not be cushioned by EPT lapse, since the rail industry has been virtually immune to this levy.

Narrow

The narrow range of general market fluctuation is more than a transient phenomenon. The percentage spread between annual high and low of the Dow industrial average has been tending to contract, even though with some irregularity, for a good many years. In 1929 the high was 92% above the low. In 1933 it was 119%, the widest spread on record. In 1937 it was 71%. Since 1940 the widest spread was about 30% in 1946. It narrowed to 15% in 1951, to 13.9% in 1952; and so far in 1953 it has been only 11.8%. At the same time the turnover rate—ratio of daily average transactions to total listed shares—has fallen to a record low. There are many reasons for these marked changes in the character of the market, including less speculation, more long-pull investment; more selectivity, less tendency for stocks to move up or down in unison at any one time. The tendencies cited are bad for the commission-brokerage business, but not for others. They suggest that this market is unlikely either to fall out of bed or go

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
Commercial Solvents	6 mos. June 30	$ .39	$ .06
Consolidated Cigar Corp.	June 30 Quar.	1.03	.51
General Precision Equip.	June 30 Quar.	1.21	.48
Delaware & Hudson Co.	June 30 Quar.	1.82	.95
Grumman Aircraft Eng. Corp.	6 mos. June 30	1.84	1.08
American Natural Gas	12 mos. June 30	3.33	2.51
Bell Aircraft Corp.	6 mos. June 30	2.14	1.01
Denver & Rio Grande W. R.R.	6 mos. June 30	10.31	4.92
Ekco Products Co.	June 30 Quar.	1.15	.74
Visking Corp.	June 30 Quar.	1.30	.94

through the roof under any reasonably probable conditions within the foreseeable future. They suggest that it could easily continue to bore traders to distraction, without scaring the daylights out of investors.

Volume

"Volume indications" have never had as much technical significance as many attribute to them. The averages can advance on low or high volume of trading; and can decline on low or high volume. The reason is simple. In any auction market, it does not make much difference whether prices are made by 100 buyers and 100 sellers, or by 1,000 buyers and 1,000 sellers. From force of habit which was never well founded, rather than on logical reasoning, some will say that low volume on the current sag is a favorable "indication". It cannot really be any indication. Whether or not the June lows hold on test, trading volume will have not a great deal to do with it one way or the other.

Auto Stocks

For a time the small automobile companies increased their total share of the market, because they were relatively favored by materials supply under the Government's defense-emergency restrictions. Moreover, the competitive going for them was easier than it normally is because of strong general demand for cars, and relatively shortages of some of the most popular makes. This situation has now been drastically altered. The total share of the "Big Three" has increased; that of the so-called independents has contracted, and it probably will contract further. Among the major companies, General Motors is making the strongest competitive showing, followed by Ford. Chrysler apparently will have a struggle to hold its present position. Studebaker tops the others, but faces leaner days. The future does not look bright for such makes as Packard, Hudson, Nash, Willys and Kaiser. General Motors stock can be expected to hold up best in the market, even though it appears subject to some decline. Chrysler is more vulnerable. Probably all except General Motors are better sales than buys or holds at present prices, even though they have already declined considerably. The competitive battle from here on will be more marked.

Packaged Foods

Through aggressive promotion over the years, a huge and fairly steady total demand has been built up for packaged trademark foods—such as coffees, tea, dessert preparations, mayonnaise, margarine and dozens of others, including frozen foods—by companies like General Foods, Standard Brands, Heinz, Beech-Nut Packing and others. In most cases, sales have been expanded at considerable expense to operating margins, as compared with earlier years, although margins remain reasonably satisfactory. Reflecting this change and higher taxes, General Foods earned $4.31 a share in the fiscal year to March 31 on sales of $701 million, against $3.68 a share back in 1929 on sales of $128 million. Standard Brands earned $2.62 a share in 1952 on sales of $357 million, against $2.82 in 1937 on sales of $122 million (it did not reveal sales in 1929). The tendencies cited are typical of the business. In consequence, the stocks have lagged behind the market, remaining far under 1929 highs, with most of them failing to better intervening highs made in 1937 or 1946. General Foods has made the best competitive showing in the postwar years. Earnings in most cases have been showing moderate interim improvement, and small full-year gains are likely. Present dividends appear secure. Payments at varying rates have been made each year since 1922 by General Foods, since 1899 by Standard Brands, 1911 by Heinz, and 1902 by Beech-Nut. General Foods is at 55, yielding close to 5%; Standard Brands at 28½ yielding about 6%; Heinz at 33, yielding about 5.1%; Beech-Nut at 29,, yielding about 5.6%. The stocks are subject to much less than average market decline; and are sound income holdings, but otherwise have limited appeal. If it is real stability that you want, buy high-grade bonds, or keep spare money in a time deposit at 2½%.

Natural Gas

The Federal Power Commission seems at last to be aligning its thinking with the present generally conservative direction of Government policy. In two recent rate cases it granted boosts for natural-gas pipeline companies calculated to provide returns of 6¼% and 6%, respectively, on property investment, whereas in earlier cases it figured that 5½% was enough. The difference may not seem great, but is important in terms of potential per-share earnings. Growth prospects for the industry remain bright. Squeezed last year, earnings are generally trending up, reflecting some rate boosts and rising gross. Market prospects for this group of stocks are now well above average. Some of the best are American Natural Gas, Consolidated, El Paso, Lone Star, Mississippi River Fuel, Pacific Lighting, Panhandle Eastern, Southern Natural Gas and United Gas.

Two Utilities

Electric power stocks tend to move pretty much together, with earnings not greatly affected by variations of low-rate industrial load. Strong growth of residential power consumption is a boon to all. The stocks should be bought on a basis of investment quality and comparative yields. Two good-quality issues with good yields are Detroit Edison, currently at 27½, yielding over 5.8% on a $1.60 dividend; and Ohio Edison, at 38, yielding about the same on a $2.20 dividend.

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
American News Co.	6 mos. June 30	$ .08	$ .72
U. S. Hoffman Mach.	6 mos. June 30	.49	1.10
Ruppert, Jacob	6 mos. June 30	.47	1.36
Holland Furnace Co.	June 30 Quar.	.29	.59
Hudson Bay Mng. & Smelt.	6 mos. June 30	2.20	3.00
Air Reduction Co.	June 30 Quar.	.53	.60
Daystrom, Inc.	June 30 Quar.	.52	.64
Ashland Oil & Ref.	June 30 Quar.	.27	.61
Consolidated Natural Gas	6 mos. June 30	3.70	4.10
Sinclair Oil Corp.	6 mos. June 30	2.47	3.65

The BUSINESS ANALYST

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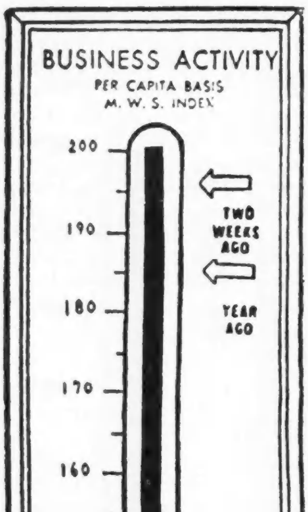
What's Ahead for Business?

By E. K. A.

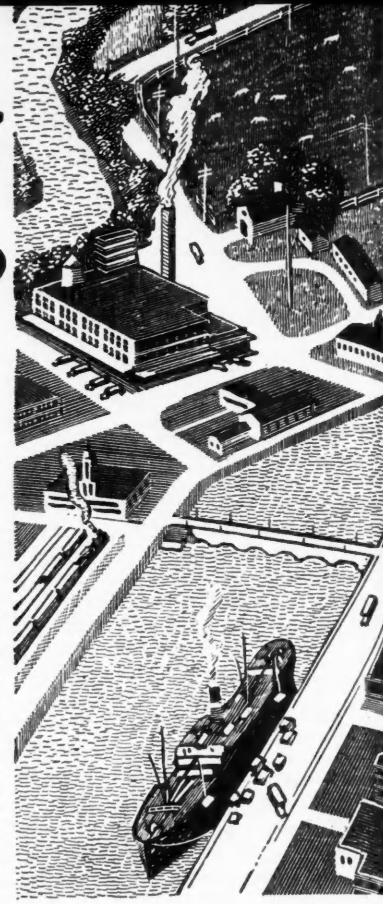
Retail prices, inching higher in recent months according to the official statistics, may be subjected to a moderate amount of downward pressure in the period ahead. Selling is becoming increasingly difficult now that supplies are large and the long rise in consumer income has about come to an end. Furthermore, there is evidence that consumers have curbed their buying a little since the end of the war in Korea, reflecting the same uncertainty that is evident among numerous business men and investors.



Any setback in general business activity this Fall, with resultant contraction of employment and consumer incomes, undoubtedly would tend to exert pressure on prices at the retail level. That goes almost without saying. But, even if business activity rocks along on a fairly even keel, pressure on prices seems likely to mount. Although there never can be any such thing as a saturation of the market for durable goods in this country, we would seem to be approaching a partial saturation point.

While the total volume of retail trade as measured in dollar values has failed to register any gains of consequence since the end of last year, retail inventories have been moving almost steadily higher. The increase has been largely if not entirely in durable goods, undoubtedly the most vulnerable area of our economy. This is not an enviable situation from the standpoint of the ability of retailers to maintain prices.

On this matter of prices, there is considerable question whether the official indices of retail prices — such as those of the Department of Commerce or the better known Consumer Price Index of the Bureau of Labor Statistics which is generally termed the cost of living index — actually have been measuring at all adequately the developments in retail prices in recent months, particularly those in durable goods. Although the Consumer Price Index recently has moved up to a new all-time high, a number of observers feel that this is more fiction than fact.



Official "shoppers" for the government agencies undoubtedly find it very difficult if not impossible to obtain realistic retail selling prices on durable goods, where there is no doubt about the fact that a considerable amount of both open and "under the counter" price cutting is going on.

According to some recent observations, fair trade is all but in process of breaking down completely. Although the legislation of all but four States and the District of Columbia permits manufacturers to establish minimum retail prices on their products and to take legal atcion against violators, such legislation is being likened to Prohibition. In the larger cities, the "discount houses" pay practically no attention to fair trade prices.

Established merchants in the larger cities and merchants generally in the smaller communities are less open about their willingness to offer discounts, although some of the latter have begun to advertise their willingness to sell at "city prices". As a general rule, manufacturers are not inclined to take action against retailers unless they openly advertise specific price markdowns. And, whether the Supreme Court finds for or against fair trade in the case now pending, the economics of oversupplies of goods will continue to rule.

The mounting pressure on retail prices, although now largely concentrated in durables, seems likely to spread to a number of nondurable lines where overproduction is becoming apparent. Manufacturers are being squeezed between still rising costs of production on the one hand and the pressure from retailers to reduce prices in order to enable the latter to obtain something resembling a normal markup. And, as usually occurs in a transition period, the smaller producers are being squeezed the most.

The Business Analyst
HIGHLIGHTS

MONEY & CREDIT—Bank loans to business are rising again, a trend that in most years, has continued until December. This year, the seasonal expansion has gotten off to a relatively slow start. Data from reporting member banks shows that commercial, industrial and agricultural loans on August 12 were only $115 million above end of June figures. Comparison with last year's experience is hardly instructive as the steel strike in 1952 apparently restricted the demand for funds so that business loans in mid-August of last year were actually $55 million below end of June levels. However, by this time in 1951 loans were expanding rapidly while in 1950 the situation was of a run-away nature with this type of loan up by $757 million between June 28 and August 16 of that year. The rather sedate rise in bank loans to business this Summer is characteristic of a period when inflationary pressures are quiescent and businessmen are trying to reduce over-large inventories. Weakness of farm prices is also a factor in that processors of these products have been in no hurry to add to their commitments, thus reducing their need of funds.

The bond markets have been marking time so far in August. Long-term Treasuries were slightly easier in the two weeks ending August 21 with the thirty-year 3¼s losing ⅛ point during the period and Victory 2½s were off by a similar amount. Corporate bonds have also been subject to some shading of prices and the yield of a representative average of best-grade corporates rose a bit to 3.25% on August 21 from 3.22% on August 7.

Plans for financing this Fall are becoming more definite with public utilities in the forefront. Offerings by Pacific Telephone & Telegraph, Southern Bell Telephone and Tennessee Gas Transmission are scheduled for September and American Telephone and Telegraph has announced its intention of floating a huge new issue, $625 million of convertible debentures, date unspecified. This would be the largest piece of corporate financing ever made, easily topping the record-breaking $493 million debenture issue sold by the same company in 1952. Local governments are also going to be an important factor in the competition for funds. Issues in the planning stage include some $225 million Indiana Toll Road bonds, $200 million Massachusetts Turnpikes, $130 million New Jersey Turnpikes, $135 million Garden State Parkway bonds, $125 million New York State Thruway, $75 million New York State grade-crossing bonds and many others. The Public Housing Administration is also queuing up for an early sale of $125.2 million worth of bonds to be offered on September 22. This will be the seventh issue of these Federally guaranteed, tax-exempt, local housing authority bonds, the last previous issue having been sold on May 26.

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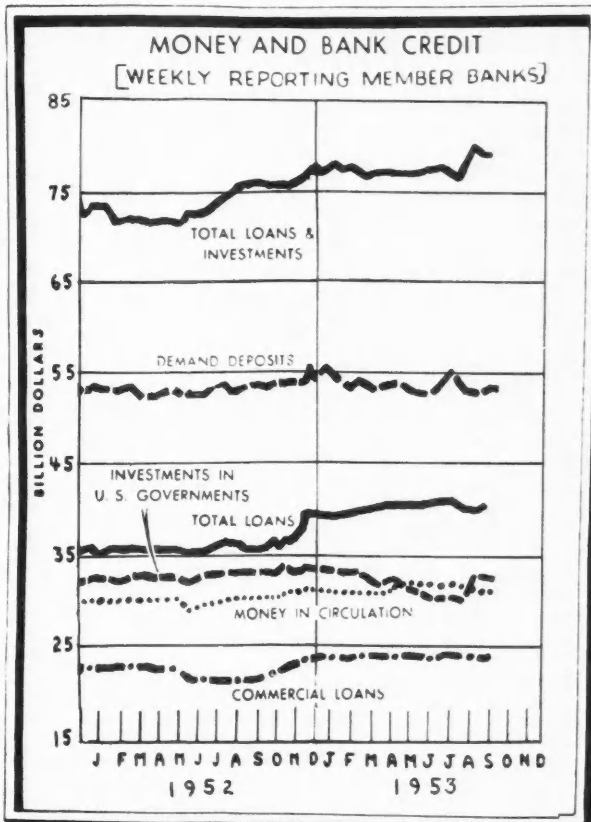
TRADE—Retail sales have been maintained on an even keel in the first three weeks of August. Total dollar volume for the week ending Wednesday, August 19, was some 3% above the corresponding week of last year, according to estimates by Dun & Bradstreet. Sales in New England and the Eastern states was hampered by bad weather and this section was able to do only 1% better than a year ago. The best showing was made by the Pacific Coast with a 5% gain. Seasonal demand for Fall apparel has been in evidence and interest in household goods was improved.



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INDUSTRY—There has been some improvement in industrial output in the first half of August after the usual July lull. The MWS Index of Business Activity, on a per capita basis, stood at 200.5% of the 1935-1939 average in the week ending August 15 against 199.6% in the previous week and 197.6% in the week ending July 25. Since the July 25 week there has been steady improvement in coal production, electric power output, freight car loadings and paperboard production. Steel production is also beginning to pick up. Crude oil runs to stills and lumber output are a bit lower than they were three weeks ago.

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COMMODITIES—Wholesale prices as measured by the Bureau of Labor Statistics have rallied a bit with the Bureau's Index of primary market prices rising by 0.3% in the week

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	July	4.3	4.4	4.2	1.55
Cumulative from mid-1940	July	514.2	509.9	461.3	13.8
FEDERAL GROSS DEBT—$b	Aug. 19	272.7	272.6	263.0	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Aug. 12	53.2	53.2	51.8	26.1
Currency in Circulation	Aug. 19	30.1	30.2	29.1	10.7
BANK DEBITS—(rb3)**					
New York City—$b	July	52.9	52.4	51.5	16.1
344 Other Centers—$b	June	98.2	96.6	88.6	29.0
PERSONAL INCOMES—$b (cd2)	June	285.9	284.7	268.1	102
Salaries and Wages	June	196	194	178	66
Proprietors' Incomes	June	50	50	52	23
Interest and Dividends	June	22	22	21	10
Transfer Payments	June	14	14	13	3
(INCOME FROM AGRICULTURE)	June	17	18	21	10
POPULATION—m (e) (cb)	July	159.7	159.5	157.0	133.8
Non-Institutional, Age 14 & Over	July	111.5	111.5	109.7	101.8
Civilian Labor Force	July	64.7	64.7	64.2	55.6
unemployed	July	1.5	1.6	1.9	3.8
Employed	July	63.1	63.2	62.2	51.8
In Agriculture	July	7.6	7.9	7.6	8.0
Non-Farm	July	55.5	55.2	54.6	43.2
At Work	July	57.0	60.6	56.1	43.8
Weekly Hours	July	43.3	43.3	42.8	42.0
Man-Hours Weekly—b	July	2.47	2.62	2.40	1.82
EMPLOYEES, Non-Farm—m (lb)	June	49.4	49.0	47.4	37.5
Government	June	6.6	6.7	6.6	4.8
Factory	June	13.8	13.7	12.5	11.7
Weekly Hours	June	40.7	40.7	40.5	40.4
Hourly Wage (cents)	June	177.0	176.0	165.0	77.3
Weekly Wage ($)	June	72.04	71.63	66.83	21.33
PRICES—Wholesale (lb2)	Aug. 18	110.8	110.5	112.2	66.9
Retail (cd)	June	209.7	208.2	210.6	116.2
COST OF LIVING (lb3)	June	114.5	114.0	113.4	65.9
Food	June	113.7	112.1	114.6	64.9
Clothing	June	104.6	104.7	105.6	89.7
Rent	June	123.3	123.0	117.6	59.5
RETAIL TRADE—$b**					
Retail Store Sales (cd)	June	14.5	14.5	14.0	4.7
Durable Goods	June	5.1	5.1	4.9	1.1
Non-Durable Goods	June	9.4	9.[illegible]	9.1	3.6
Dep't Store Sales (mrb)	June	0.88	0.8[illegible]	0.84	0.34
Consumer Credit, End Mo. (rb2)	June	27.1	26.7	22.4	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total **	June	25.3	25.6	25.0	14.6
Durable Goods	June	12.2	12.7	13.1	7.1
Non-Durable Goods	June	13.1	12.9	11.9	7.5
Shipments—$b (cd)—Total**	June	26.1	26.2	21.9	8.3
Durable Goods	June	12.9	13.2	10.1	4.1
Non-Durable Goods	June	13.2	13.0	11.8	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	June	77.6	76.8	72.9	28.6
Manufacturers'	June	45.5	45.0	42.9	16.4
Wholesalers'	June	10.4	10.3	9.9	4.1
Retailers'	June	21.7	21.5	20.1	8.1
Dept. Store Stocks (mrb)	June	2.6	2.6	2.3	1.1
BUSINESS ACTIVITY—1—pc	Aug. 15	200.5	199.6	186.0	141.8
(M. W. S.)—1—np	Aug. 15	245.4	244.2	221.4	146.5

PRESENT POSITION AND OUTLOOK

ending August 18 to stand at 110.8% of the 1947-1949 average. Most of the gain in the latest week was attributable to the 1.4% advance in farm products, with hogs, cows, corn, wheat, coffee and eggs, all higher. Processed foods gained 0.4% with meats jumping 4.7%, sparked by a rise in fresh pork and some dressed meats. The index of meat prices currently stands at 97.7% of the base period which is 14.8% below year-ago levels.

* * *

CONSTRUCTION CONTRACT AWARDS in the 37 states East of the Rockies rose to $1,793,342,000 in July, the highest for any 1953 month so far, according to compilations by F. W. Dodge Corporation. The sharp rise from June's contract award level of $1,115,509,000 was a surprise, as many had felt that weakening tendencies evident in June marked a turning point in the building picture. Contributing to the 18.6% jump in July awards over the corresponding 1952 month were record-breaking awards for commercial, educational and science building projects. Contract awards for the first seven months of this year amount to $9.7 billion, a 5% gain over the 1952 period. In the January-July period of 1953, nonresidential contract awards came to $3.7 billion or 14% ahead of last year; residential contracts amounted to $3.9 billion or 1% under 1952 while heavy engineering awards were $2.1 billion or 1% better than the similar period of last year.

* * *

Manufacturers delivered 6,370 new **FREIGHT CARS** in July compared with 6,463 in June and 5,402 in July, 1952, the American Railway Car Institute and the Association of American Railroads have reported in a joint announcement. The railroads placed **NEW ORDERS** for 1,632 cars in July, up a bit from the 1,463 units ordered in June and the 1,546 during July, 1952. With deliveries in July way ahead of new orders, the order backlog continued to slide and stood at 47,423 on August 1 against 52,315 the month before. A year ago, manufacturers had unfilled orders for 95,265 freight cars on the books.

* * *

The number of **BUSINESS FAILURES** amounted to 724 firms in July, an 11% decline from June, but still the biggest number of failures for July since 1942, according to data from Dun & Bradstreet. Concerns failed in July at the rate of 34 for each 10,000 enterprises listed in Dun & Bradstreet according to Dun's Failure Index which is seasonally adjusted. This is a little under the 35 of the preceding month but

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1 np (rb)**	June	241	240	204	174
Mining	June	170	166	147	133
Durable Goods Mfr.	June	321	321	247	220
Non-Durable Goods Mfr.	June	199	199	186	151
CARLOADINGS—t—Total	Aug. 15	807	785	806	833
Misc. Freight	Aug. 15	390	376	374	379
Mdse. L. C. L.	Aug. 15	71	69	73	156
Grain	Aug. 15	50	49	50	43
ELEC. POWER Output (Kw.H.) m	Aug. 15	8,514	8,464	7,627	3,267
SOFT COAL, Prod. (st) m	Aug. 15	9.6	9.4	9.8	10.8
Cumulative from Jan. 1	Aug. 15	277.6	268.0	288.4	44.6
Stocks, End Mo.	June	76.0	72.9	81.2	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Aug. 15	6.6	6.6	6.3	4.1
Gasoline Stocks	Aug. 15	144	143	116	86
Fuel Oil Stocks	Aug. 15	50	49	52	94
Heating Oil Stocks	Aug. 15	111	107	95	55
LUMBER, Prod.—(bd. ft.) m	Aug. 15	255	249	275	632
Stocks, End Mo. (bd. ft.) b	May	8.0	8.1	8.0	7.9
STEEL INGOT PROD. (st) m	July	9.3	9.4	1.6	94
Cumulative from Jan. 1	July	67.2	57.9	46.6	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Aug. 20	259	311	1,366	94
Cumulative from Jan. 1	Aug. 20	10,132	9,873	10,950	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Aug. 8	233	346	195	165
Cigarettes, Domestic Sales—b	June	33	31	36	17
Do., Cigars—m	June	511	506	496	543
Do., Manufactured Tobacco (lbs.)m	June	17	18	18	28

PRESENT POSITION AND OUTLOOK

well above the 25 rate of a year ago. **LIABILITIES** of failing firms climbed 28% in July to $31.3 million, a new high for the post-war period and the largest for any July since 1932. Liabilities for the first seven months of this year totalled $215.7 million, quite a bit above the $169.6 million of the corresponding period of last year. The only category of industry in which liabilities of failing firms in the January-July period was under last year was in commercial services with liabilities of $11.8 million against $16.9 million in 1952.

* * *

COPPER DELIVERIES to domestic fabricators slumped to 104,593 tons in July, the lowest monthly total since June, 1952, according to figures released by the Copper Institute. Production of refined copper was also lower at 112,570 tons in July from 124,480 tons the previous month. Stocks of copper in the hands of producers rose to 77,100 tons at the end of July, the highest this year and up from 58,126 tons at the end of June.

* * *

PASSENGER CAR SALES in June were close to record levels with new registrations that month of 542,193 cars, the highest since December, 1950. The June total was 2,000 cars ahead of May and 120,000 above year-ago results.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1947-49—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, total consumer credit. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *1941; November or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

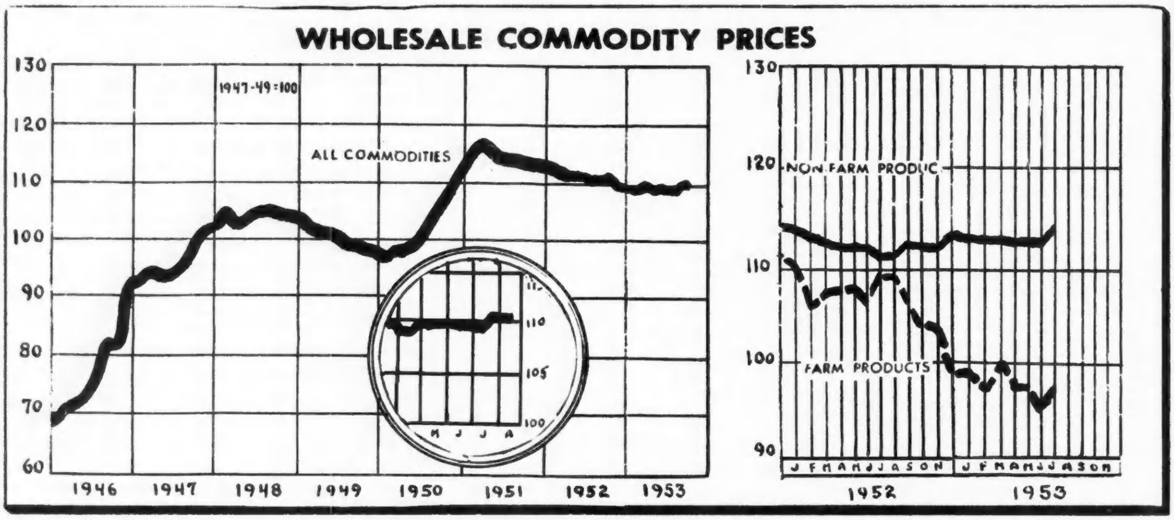
No. of Issues (1925 Cl.—100)	1953 Range High	1953 Range Low	1953 Aug. 14	1953 Aug. 21
300 COMBINED AVERAGE	215.5	192.6	197.5	194.3
4 Agricultural Implements	263.3	199.4	207.0	199.4Z
10 Aircraft ('27 Cl.—100)	415.6	337.4	355.2	351.6
7 Air Lines ('34 Cl.—100)	693.9	577.2	596.6	577.2
7 Amusement	95.5	81.6	90.3	86.8
10 Automobile Accessories	289.4	242.5	247.7	242.5Z
10 Automobiles	49.4	41.4	41.8	41.4Z
3 Baking ('26 Cl.—100)	28.0	23.8	26.3	25.9
3 Business Machines	377.4	326.1	337.1	326.1
2 Bus Lines ('26 Cl.—100)	207.6	170.2	205.9	205.9
6 Chemicals	396.9	345.8	369.3	361.5
3 Coal Mining	15.4	11.2	11.6	12.2
4 Communications	69.3	63.0	68.0	66.2
9 Construction	72.3	62.7	64.1	62.7Z
7 Containers	519.4	461.7	500.1	485.7
9 Copper & Brass	175.4	142.5	152.5	142.5
2 Dairy Products	98.6	92.3	97.7	98.6A
5 Department Stores	63.2	57.7	59.6	58.9
5 Drugs & Toilet Articles	235.2	219.5	230.7	226.2
2 Finance Companies	410.0	341.8	362.1	366.2
7 Food Brands	200.4	190.8	198.5	198.5
2 Food Stores	125.9	113.0	125.9	123.6
3 Furnishings	79.2	66.4	69.4	66.4Z
4 Gold Mining	760.0	614.6	614.6	614.6

(Nov. 14, 1936, Cl.—100)	High	Low	1953 Aug. 14	1953 Aug. 21
100 HIGH PRICED STOCKS	133.5	120.8	125.1	122.8
100 LOW PRICED STOCKS	260.6	228.7	232.7	229.3
4 Investment Trusts	112.7	97.5	101.9	99.7
3 Liquor ('27 Cl.—100)	967.8	866.4	894.0	884.8
11 Machinery	240.6	208.5	213.1	208.5
3 Mail Order	128.6	111.8	111.8	111.8
3 Meat Packing	101.7	88.4	90.2	90.2
10 Metals, Miscellaneous	284.5	229.7	232.7	229.7
4 Paper	474.8	408.2	434.8	421.5
24 Petroleum	463.4	413.2	427.0	422.4
22 Public Utilities	194.4	173.8	186.9	185.0
8 Radio & TV ('27 Cl.—100)	36.9	30.8	33.3	31.9
8 Railroad Equipment	64.1	56.9	58.1	56.9Z
20 Railroads	53.2	47.0	48.5	48.0
3 Realty	51.5	47.6	48.6	48.1
3 Shipbuilding	269.9	228.7	249.3	251.6
3 Soft Drinks	407.5	342.4	383.5	373.2
11 Steel & Iron	151.4	135.7	139.9	137.1
3 Sugar	59.8	51.9	51.9	52.5
2 Sulphur	625.9	543.3	578.7	561.0
5 Textiles	162.2	119.6	122.9	119.6
3 Tires & Rubber	89.7	74.6	77.9	75.4
5 Tobacco	105.2	90.8	104.3	101.6
2 Variety Stores	319.5	294.9	304.1	301.1
16 Unclassified ('49 Cl.—100)	125.7	107.7	108.9	107.7

A—New High for 1953　　Z—New Low for 1953

Trend of Commodities

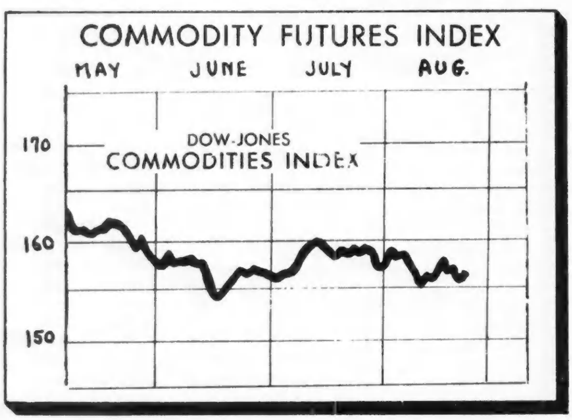
Commodity futures exhibited rallying tendencies in the two weeks ending August 24 and the Dow-Jones Commodity Futures Index gained almost a point to close at 156.27. Most grains were able to show improvement along with coffee and lard while other futures markets held in a narrow range. Farmer approval of marketing quotas for wheat was followed by a sharp but short-lived run-up in that grain. The May future rallied from a low of 186¾ on August 13 to a high of 206 on August 17 where determined selling was encountered. The ensuing decline brought the option down to a close of 195 on August 24. Currently, supplies of wheat are heavy but the fact that Government loans at 90% of parity will be available for the 1953 crop should result in large impoundings of farm-held wheat which are selling at record discounts from support levels. It is hard to believe that discounts of the present size can continue as the season advances. Cotton futures have remained in a narrow range and the October future closed at 33.40 on August 24, down 22 points in a fortnight. The New York Cotton Exchange Service estimates the total domestic supply of cotton for the current season at 19,925,000 bales while disappearance may not top 13 million bales. This would boost the carry-over to almost 7 million bales from 5.28 million on August 1 of this year. Farmers are expected to avail themselves of the Government loan in large numbers but this may prove a frail reed as it has in wheat and corn. Lard has been a feature on the up-side in recent markets and the nearby September delivery gained 3.87 cents since August 10 to close at 16.07 on August 24.



U. S. DEPARTMENT OF LABOR INDEX OF 22 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

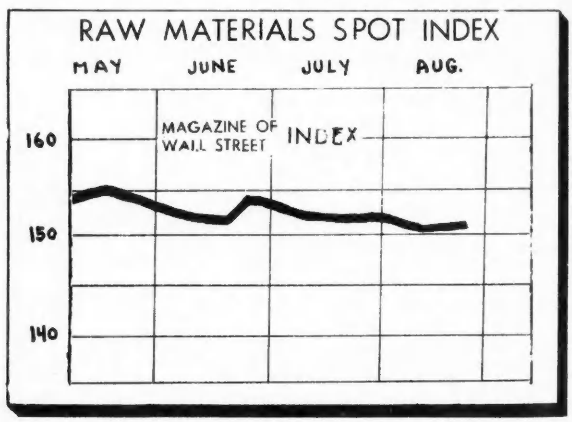
	Date Aug. 24	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	89.9	87.8	88.3	96.9	53.0
9 Foodstuffs	95.8	91.7	89.1	94.0	46.1
3 Raw Industrial	85.9	85.1	87.5	97.2	58.3

	Date Aug. 24	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
5 Metals	95.4	93.8	98.9	113.7	54.6
4 Textiles	90.6	91.1	89.3	96.1	56.3
4 Fats & Oils	63.2	59.9	58.0	65.1	55.6



Average 1924-26 equals 100

	1953	1952	1951	1945	1941	1939	1938	1937
High	170.1	192.5	214.5	95.8	74.3	78.3	65.8	93.8
Low	154.6	168.3	174.8	83.6	58.7	61.6	57.5	64.7



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1953	1952	1951	1945	1941	1939	1938	1937
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6
Low	151.1	160.0	176.4	98.6	58.2	48.9	47.3	54.6

Keeping Abreast of Industrial and Company News

Within a matter of weeks a new transport tank for commercial trucking will be rolling along the road hauling formaldehyde and similar liquid chemicals. This tank is made of **AMERICAN CYANAMID CO.'s** "Laminac" polyester resin and fibrous glass reinforcement and is one of the largest one-piece molded structures ever made. It measures almost 22-feet in length; 6'2" wide; and 4'4" high, unmounted. When fully equipped and mounted on the trailer, the tank weighs only 7,025 pounds. This is about one-third less than a steel tank and permits carrying a heavier pay-load without exceeding over-the-road load limit.

An estimated 10 million pounds of cheese spoiled annually by mold is expected to be saved by the use of "sorbic acid", an anti-mold agent on which **BEST FOODS, INC.,** holds patents covering its use. The acid, harmless, odorless, tasteless and colorless is said to retard the growth of mold on cheese, meat and other foods and was recently declared by the U. S. Food & Drug Administration safe for use in foods. Best Foods, Inc., has already licensed several firms, including **MARATHON CORP.,** to make anti-mold cheese wrappers using the acid. Sorbic acid is produced by the **UNION CARBIDE & CARBON CORP.,** which, according to reports, is considering a new plant for its manufacture in greater quantities.

An ultra-modern "push button" method of switching traffic has been installed by **THE CHICAGO, ROCK ISLAND & PACIFIC RAILROAD** at its Gresham junction, one of the heaviest traveled interlocking areas in the U. S. Under the method heretofore in use, the towerman, when notified a train was approaching, had to quickly figure out the route and then throw a lever for every switch over which the train would pass. The new method, known as the "Sequence Switch Interlocking System" enables the towerman, upon the approach of a train, to automatically check each of the 150 routes and upon getting a "clear" signal, push a button which sets all switches along the route the train is to follow. The new system, said to be foolproof is a product of Standard Telephone & Cables, Ltd., of England, an associate company of **INTERNATIONAL TELEPHONE & TELEGRAPH CORP.**

One of the largest and most modern blast furnaces in the world, costing $12 million, began producing late last month at the recently expanded Portsmouth Division of the **DETROIT STEEL CORP.** Putting this new facility into production marks another major step in the company's $60 million expansion program. Other additions at Portsmouth include the installation last year of new hot strip and new cold rolled sheet mills. Final steps in modernization and expansion are expected to be completed early in 1954, and when in operation will enable Detroit Steel to produce and process 1.3 million net tons of steel ingots annually, thus doubling present capacity.

Shareowners of **TIMKEN DETROIT AXLE CO.,** at a special meeting held recently voted approval of plans to merge with **STANDARD STEEL SPRING CO.** Under the proposal the consolidated companies will operate as Rockwell Spring & Axle Co. and Timken Detroit and Standard Steel Spring stockholders would receive one share of $5 par common stock of the new company for each share now held in the companies to be merged.

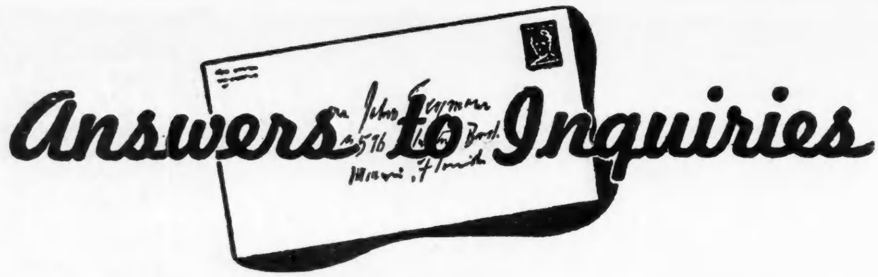
At a meeting of **AUTOCAR CO.,** stockholders held in the closing days of last month, approval was given for the sale of the company to **WHITE MOTOR CO.** It is expected that the sale will be consumated as soon as possible, after which Autocar will operate as The Autocar Division of White. This is another instance of the tendency towards merger in this industry.

A new, ceiling-suspended model of the home Precipitron, especially designed to fit the pocketbook (cost approximately $385 installed) as well as the air-cleaning needs of the average home-owner, has been developed by **WESTINGHOUSE ELECTRIC CORP.** The Precipitron is the Westinghouse-developed electronic device which removes up to 90% of all airborne dust – effective even against tobacco smoke particles, which are as small as 1/250,000th of an inch in diameter. The ceiling-suspended model, the PH-122, handles from 1,000 to 1,200 cubic feet of air a minute and is designed to fit the needs of an average 5-to-7 room house. A larger floor model, the PH-242, costing about $585 installed has double the capacity of the PH-122.

During the first six months of the current year, shipments of TV receiving sets to dealers totaled 3,022,250. This, according to a report released by the Radio-Electronics-Television Manufacturers Association represented a gain of 43% over shipments to dealers amounting to 2,118,510 sets in the first half of 1952.

The Milo Tanning Co., property at South Paris, Me., shut down for the past year, has been acquired by A. C. Lawrence Leather Co., a division of **SWIFT & CO.** Plans call for razing the tannery now on the site and the erection of a new plant at a cost of about a half million dollars. It is expected that the Lawrence Company will begin production late next year, turning out cowhide upper leathers for the shoe industry.

Answers to Inquiries



The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. **Give all necessary facts, but be brief.**
2. **Confine your requests to *three listed securities* at reasonable intervals.**
3. **No inquiry will be answered which does not enclose *stamped, self-addressed envelope.***
4. **No inquiry will be answered which is mailed in our postpaid reply envelope.**
5. **Special rates upon request for those requiring additional service.**

Stokely Van Camp

"I have subscribed to The Magazine of Wall Street for about a year now and have received much of worth from it. This is the first time I have availed myself of your valuable personal consultation service.

Please furnish recent earnings of Stokely Van Camp and dividend payments." *B. N., Binghamton, N. Y.*

Net sales of Stokely Van Camp, Inc., a leading American packer of food products, for the fiscal year ended May 31, 1953 showed a slight decline from the previous year's record volume but net income for the latest fiscal period was 12% higher.

Sales for the year ended May 31, 1953 totalled $114,420,644 compared with the previous year's all-time high of $115,421,833. A further gain in civilian business offset to a large extent an almost corresponding decline in Government and export business, the latter representing less than 5% of current volume. Sales of the company's frozen foods line rose substantially during the year with stabilization of conditions within that industry.

Net income for the fiscal year ended May 31, 1953, after provision of $2,855,000 for Federal income and excess profit taxes, amounted to $2,779,082, equal to $2.03 per share on 1,128,240 outstanding shares of common stock. For the year ended May 31, 1952, after provision of $2,560,000 for taxes, net earnings amounted to $2,462,045, or $1.75 per common share, ($1.67 per share, as previously reported, before depreciation was adjusted).

The increase in net profit was accomplished despite a continuing rise in the cost of raw produce, labor and supplies by accelerating the company's merchandising activities and through improved efficiency of manufacturing operations.

Inventories on May 31, 1953 were slightly less than a year ago, aggregating $27,471,593. Working capital on May 31, 1953 was $33,030,222.

Dividends on the common stock in 1952 totalled $1.00 per share and 25 cents quarterly has been paid thus far in the current year.

Seaboard Finance Company

"With the rapid growth in recent years of small loan companies, I would appreciate receiving late information on Seaboard Finance Company."

E. L., Appleton, Wisconsin

Seaboard Finance Company's receivables outstanding on June 30, 1953 totalled $128,659,206, highest in the company's history, while net income and volume of business attained new highs in the nine months ended on that date.

Net income after all charges in the first three quarters of the fiscal years was up 34% over the comparable period a year ago, amounting to $3,181,566. This was equal, after preferred dividends, to $1.76 a share on the average of 1,587,930 common shares outstanding. In the same months last year the net income was $2,361,801, equal after preferred dividends to $1.67 a share on the average of 1,208,416 common shares then outstanding.

Volume of business in the nine months ended June 30 last was $158,810,886, compared with $137,197,159 in the first three quarters of the preceding year. The receivables outstanding on June 30, 1953 represented an increase of $32,035,789 over the total outstanding a year earlier of $96,623,417.

In the three months ended June 30 last, the third quarter of the company's fiscal year, net income amounted to $1,120,090, equal after preferred dividends to 58 cents a share on the 1,707,403 average number of common shares outstanding. This compared with $826,984, or 56 cents a share on the average of 1,261,399 common shares outstanding in the same quarter last year.

Discussing the effect of increased bank interest rates on the earnings of finance companies, the president of Seaboard said: "The resulting increase in Seaboard's interest costs amount to only ¾ of 1% of our total operating expenses. This increase is being offset through improved efficiencies arising principally from an increase in earnings assets and by some upward adjustment of charges in the sales contract division. It is our opinion, therefore, that higher interest rates have no material effect on our earnings at this time.

"The ratio of charge-offs to cash liquidation during the current period compares quite favorably with prior periods. This is also true of the ratio of delinquent accounts to receivables at June 30, 1953".

Dividends in 1952 totalled $1.80 per share and $1.80 has been declared this year with the next quarterly payment of 45 cents per share payable on October 10.

From head to toe

Your friends, the glycols, help shampoo your hair, smooth your skin, and even improve the fabrics of the clothes you wear

FEW OF US would recognize a glycol if we saw one. Yet practically all of us are in constant and pleasant association with this man-made family of chemicals which are known to chemists as the dihydroxy alcohols.

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FROM OIL AND GAS—These busy aids to better living are obtained from petroleum and natural gas. Certain of the glycols in turn are used to purify the natural gas that serves so many of us in our homes and at work.

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DYNEL Textile Fibers • BAKELITE, KRENE, and VINYLITE Plastics • LINDE Oxygen • PRESTONE and TREK Anti-Freezes

Chemical Industry-Shifting Trends

(*Continued from page* 663)

dividends, capitalization, etc., of individual companies, it may be helpful in this discussion to gain a better appreciation of dynamic growth by comparing productive capacity data for a few major products. From these figures one may understand not only reasons for enthusiasm over physical progress but the basis for apprehension over the threat of overexpansion. Serious shortages in soda and chlorine two or three years ago stimulated enlargement of capacity, and growth in alkalis has been especially rapid. Caustic soda capacity, for example, has climbed since 1925 from 525,000 tons to 3,081,000 in 1951 and still higher in 1952. In the quarter of a century after 1925, soda ash capacity expanded from 1,907,000 tons to 5,450,000 and calcium carbide from 128,000 tons to 772,000. In a little more than twenty years chlorine capacity jumped from 205,000 tons annually to 2,409,000, while petrochemicals and other newer products registered even greater gains.

Whether or not large, efficient plants may pose the threat of serious price-cutting for the first time is a question that has raised doubts among investment managers. The problem undoubtedly would be regarded as more serious were it not for the fact that the labor factor has remained low in chemical plants. Although periodic wage increases have been granted in line with the general uptrend in all industries and some price increases have been necessitated to maintain margins, it is believed that chemical producers may be better able than many others to control costs in the event of a contraction in demand and a return to keenly competitive conditions.

The vital test appears likely to come next year. New productive facilities started in the last year or year and a half will be adding to the supply of finished products and raw materials in the next six months. Meantime, experts look for at least a moderate drop in demand. Major consuming industries such as steel, paper, rubber and fertilizer may reduce their requirements. Textile manufacturers already have curtailed output. Whether chemicals can sustain their better-than-average progress next year is a question investors are waiting to see answered.

Over-capacity and Compensating Factors

Although the possibility of excessive capacity raises some doubts over 1954 prospects, there are compensating factors. In the first place, basic raw materials seem likely to remain plentiful and moderately priced. Labor costs are not expected to rise importantly in the coming year, especially if another round of increases is avoided in larger industries. Moreover, profit margins on numerous products are widening as output is increased. As an example, the demand for plastics promises to expand as new markets develop. This product of the chemical industry already has passed the stage where its utility is limited to toys, kitchen utensils, etc. It now finds outlets in a wide variety of consumer goods and competes with wood in furniture manufacturing as well as with metals and glass.

Development of new pharmaceuticals holds promise of favorable results. Wide profit margins are available in the early stages of medicinal products. Several chemical companies capitalized on research developments in raw materials used for antibiotics. It would be reasonable to look for continued progress in this direction as a counteractive influence as production of some lines threatens to become excessive.

Tax relief in 1954 also should have a sustaining effect on earnings. Elimination of the excess profits levy at the end of this year would benefit many rapidly growing chemical producers. In appraising the outlook for this industry allowance should be made for the fact that it stands to rank as a major beneficiary of removal of the tax which penalizes growth companies.

Skepticism toward chemicals based on the threat of narrower profit margins may be traced to the experiences of leading ethical drug producers. Keen competition in antibiotics in the last year or two had an adverse effect on earnings of companies such as Parke, Davis & Co., Merck & Co., and Chas. Pfizer. Prices of penicillin, streptomycin and other so-called wonder drugs declined sharply as supplies became excessive. Lower prices opened new markets, however, especially in treatment of animals as well as for other uses. Production controls have contributed to price stability, affording promise of improvement in the profit outlook for principal ethical drug concerns.

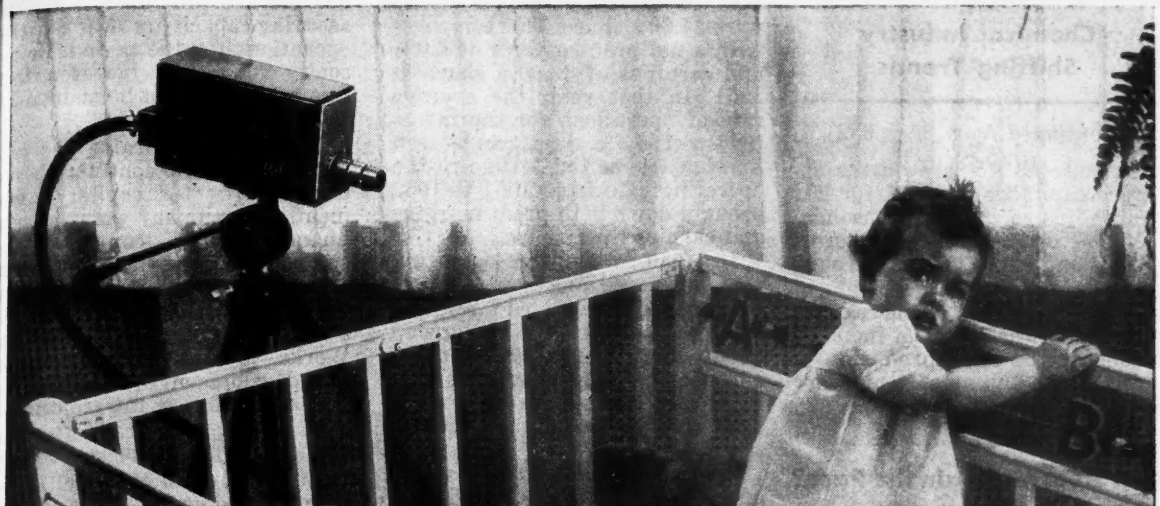
Position of Several Leaders

As a supplement to the accompanying statistical compilation, brief comments on recent earnings reports of representative companies are submitted here as a guide to investors interested in stocks representing the chemical industry. *E. I. duPont, de Nemours & Co.*, leading factor in the industry, reported an increase in sales in the first six months this year of 18 per cent, while net income rose to $2.41 from $2.12 a share in the corresponding period of last year. Receipts from dividends of General Motors amounting to the equivalent of 81 cents a share in each period accounted for a significant proportion of income. For the full year net profit may range upward of $5 a share, compared with $4.70 in 1952.

American Cyanamid, whose activities embrace a wide variety of chemicals as well as important ethical drugs, reported promising gains in the first half of the year. Net profit rose to $1.81 a share from $1.40 in the corresponding period of 1952. Despite some slackening in consumer industries, sales registered a satisfactory increase. Net profit for the year is expected to range between $3.50 and $3.75 a share after allowance for an increase in capitalization resulting from conversion of preferred stock. Net income for 1952 came to $3.07 a share.

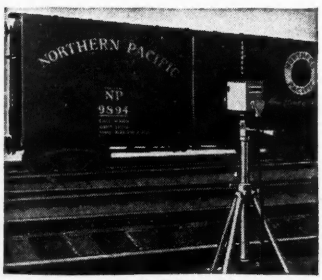
Mathieson Chemical, through consolidation with E. R. Squibb & Sons, also combines heavy chemicals, fertilizer materials and other chemicals with ethical drugs. The combination holds promise of interesting growth. Sales rose sharply this year and for the first six months more than doubled the volume of the same period of 1952. Net income increased correspondingly, but on a share basis was about in line with that of the same period a year ago at $1.63 vs. $1.62 a share. Earnings for the year may ap-

(*Please turn to page* 684)



First home television camera, RCA's "TV Eye," connects to any TV set—lets you watch children in the nursery or at play.

RCA "TV Eye" gives schools a private TV network, takes talks and demonstrations to classrooms.



In a railroad yard, RCA vidicon camera lets employees check car numbers at long range.

RCA vidicon camera in a bank, lets tellers verify the signatures on checks by television.

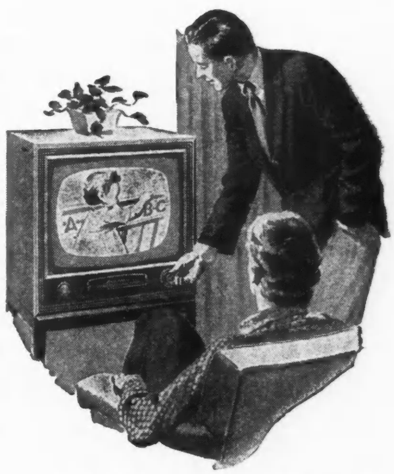
Tireless "TV Eye"

New RCA TV camera an alert watchman for home, school, industry

Based on the vidicon tube, developed by RCA, a new instrument is on the way for homes, business, and schools—the RCA "TV Eye."

Light, compact, easy to use, "TV Eye" is a camera unit which can be connected to standard home receivers —makes any of the 23 million TV sets now in use a potential closed-circuit television system.

RCA's industrial version of the vidicon camera has already proved its place as an observer and guardian in science, industry, transportation, business—with new uses still being explored. Wherever distance or danger preclude a human observer's presence, the vidicon camera can take his place and stand watch.



"TV Eye" plugs easily into standard TV sets. You just switch to the selected channel, and see everything that the camera sees.

RCA® ***Radio Corporation of America***

World leader in radio—first in television

Chemical Industry Shifting Trends

(*Continued from page* 682)

proximate $3 a share on the enlarged capitalization. Net for last year adjusted for the consolidation was placed at $3.44 a share.

For long range growth through research and market development as well as through an increase in population, the chemical industry is one of the most promising in spite of the threat of temporary excessive capacity.

Can Steel Maintain the Pace?

(*Continued from page* 660)

largely on such factors as the degree of integration, control of costs through efficient plant-handling and accessibility to raw materials and economical transportation. In recent years, some companies have diversified products through enlargement of facilities for production of the lighter steels (alloy steels), and also in increasing their percentage of production of the more stable items—as to price—such as tin plate, pipe and alloys.

It should also be remembered that profit margins depend to an important extent on related activities such as railroads and cement (in the case of U. S. Steel) and shipbuilding (in the case of Bethlehem). Some of the smaller companies have greatly strengthened their position through concentrating on specialty steels. An interesting departure from the norm is the development of titanium production by Alleghany-Ludlum.

Operating Ratios and Profits

On the whole, it would seem that any prospective decline in mill operations, say to an 85% of capacity level, would bring profits down considerably. Comparison with recent years may throw some light on actual relationship. While 1952 is not precisely a comparable year, on account of the strike, nevertheless it is interesting to observe that with an average rate of operations for the year of 85.8%, average net profit margins for the 26 companies listed on the accompanying table were 5.1% and average earnings for the group were $4.60 a share. This compares with a net profit margin of 6.6% and earnings of $6.60 a share in 1951. In that year, the average rate of operations for the industry was 100.9% and it can be seen to what extent the decline in the operating rate from 1951 to 1952 brought down both profit margins and earnings per share.

In 1949, when the operating rate averaged 81.1%, the net profit margin averaged 6.9% and average earnings for the group about $5.25 per share. Apparently, an average operating rate of around 80% will still produce satisfactory though not sensational earnings.

Giving full weight to the effect of a possible future decline in the operating rate to figures approximately 15% below the recent peak, it is nevertheless true that earnings, on the whole, would be sufficient to support dividends. This proved to be the case in both 1952 and 1949 when substantial slumps in production occurred and earnings declined. It would probably take a decline in the operating rate of at least to well below 80% before the margin between earnings and dividends narrowed to a point of comparative danger. For the present, therefore, steel dividends except possibly for the smaller producers are in no question whatever and can easily be maintained despite the prospective decline in production.

As illustrating current operating conditions and prospects for the major companies, we add some comments on U. S. Steel and Republic.

U. S. Steel Corp.

Earnings for the first half of 1953 were $3.54 per share, apportioned between the first quarter and second: $1.65 per share and $1.89 per share, respectively. This total compared with $2.04 a share, of which only 61 cents per share was earned in the second quarter of 1952, the smaller amount being due to the steel strike. In the first six months of 1953, the sum of $38 million for excess profits tax was charged against earnings, this being equivalent to $1.45 per share. U. S. Steel should earn between $6.00 and $6.50 per share this year, compared with $4.54 per share in 1952.

According to President Fairless, order books for the third quarter are practically full, thus assuring capacity or near capacity operations for the period. He recently suggested, however, that this rate would not be maintained in the fourth quarter.

Despite heavy drains on working capital due to continued heavy expenditures for capital investment, the company plans no new financing. In this connection, the company will be able to benefit from full production expected by the end of the year at the new $400 million plant at the Fairless Works, Morrisville, Pa. Another new development of importance is the rapid progress toward completion of the high-grade iron ore properties in Venezuela.

In 1949, when the steel industry operated at 81% capacity, the company managed to earn the satisfactory amount of $5.39 per share. Unless this operating level is materially broken, it seems that U. S. Steel will enter 1954 with good prospects to cover dividends by an acceptable margin.

Republic Steel Corp.

This company made an exceptional gain in earnings for the first half though comparison with 1952 results are distorted by the effects of the steel strike in that year. First half 1953 earnings were $4.72 per share against $2.61 in the corresponding period of the previous year. Breaking down these results, we find that first and second quarter 1953 earnings were $2.26 and $2.46 per share, respectively, compared with $1.92 and 69 cents per share in the first and second quarter of 1952.

Space does not permit a detailed account of the company's enormous expansion program. However, with an annual capacity of 10.2 million tons, and growing, the company is now the third largest of the nation's steel producers. It is now thoroughly integrated after numerous acquisitions and has taken necessary steps to assure full ore reserves with its part ownership of Reserve Mining Corp. (together with Armco) giving it access to potentially valuable taconite resources in Minnesota. Between 1946 and 1952, capital expenditures were $379 million, to finance which the company has had to resort, in part, to long-term borrowing, the balance obtained through retained

(*Please turn to page* 686)

Can Steel Maintain the Pace?

(*Continued from page* 684)

earnings.

Peak earnings of $10.53 per share were made in the banner year of 1951. Based on first half 1953 earnings and general prospects for the balance of the year, Republic should come close to earning $8.00 per share. In 1952, earnings were $7.21 per share. It is worth noticing that in 1949, when the general mill operating rate for the industry averaged only 81%, the company was able to turn in the respectable earnings record of $7.54 a share.

Auto Equipments and Defense Cutbacks

(*Continued from page* 669)

six months. This is in contrast to net sales of a little more than $25 million for all of 1940. In the 12 years since that time the net worth of Thompson Products has increased from around $10 million to $63.4 million at the close of 1952. Of course, the company being an outstanding supplier of engine valves, piston rings, pistons, ball joint suspensions and torque convertor units for hydraulic transmission assemblies, has built up a front rank position in the automotive industry, with markets for its products extending into many other quarters, including the many industries using gasoline and diesel engines as stationary power plants. A breakdown of its sales last year show that $46.8 million of total volume was accounted for by sales to manufacturers of automotive, marine and industrial products. Sales to automotive replacement parts jobbers contributed $27.3 million to the total. Coming somewhat of a surprise to those who have persisted in cataloging Thompson Products as an auto parts maker is the fact that its business in aircraft components in 1952 amounted to just a little under $200 million. This was equal to 270% of its total automotive, replacement and related sales. Thompson Products has gone a long way in developing and manufacturing products for the aviation industry. Among the items produced for the latter are jet engine turbine wheels, rotor compressors, steel and aluminum compressor blades, turbine cases, vane assemblies and high-strength powdered metallurgy parts for aircraft, as well and for general industrial use. It also has been steadily expanding its electronics division since its creation back in 1950 as part of the company's intensified long-range program of research and development initiated more than 20 years ago.

Thompson Products, of course, by reason of its position as an automobile parts maker has benefited materially from the continuous high rate of production by the automobile builders, but its sales gain from $107.6 million in 1949 to an indicated $325 million for this year, reflects, in a large measure, the volume of business developing out of the Federal defense program, the major part of which has been the build-up of our air defense arm. Undoubtedly, this business is past the peak, but volume should continue to be big enough to keep Thompson Products production schedules for aircraft engine parts and electronic products at a comparatively high level, but on a descending scale, well into 1955.

The materially greater earnings of the company in the last five years has prompted the belief that stockholders were in line for a higher rate of dividend than that now being paid or, in lieu of that, might participate in a year-end extra. Management, however, has elected to follow a conservative policy regarding payout of earnings in the form of dividends. It has pointed out that the company is now in a period in which it is building for the future of its commercial business and at the same time meeting the requirements of the defense program which, combined, have made it necessary to make heavy capital expenditures for plant and equipment. This attitude, of course, can be changed, especially in view of the good 1953 earnings. Such action is purely problematical, but in the meantime, the stock which has possibilities as a growth issue over the long-range, is selling on an unattractive yield basis of approximately 3.9 per cent.

With certain exceptions, these being Hayes Manufacturing, Electric Storage Battery, and Collins & Aikman which is looked upon as a member of the automobile accessories group solely because it supplies upholstery fabrics to the car builders, most of the parts and accessories companies had a good first half-year in 1953. This general prosperity for the period reflects the high rate of production by the automobile manufacturers in the six months to June 30, aided, as in the case of Bendix Aviation, Clark Equipment and Thompson Products by fair to good volume of sales of products in markets other than the automotive. The outlook for the second half of the year is not so clear. It is felt that the automobile producers have been pushing their assembly lines too hard. Car output in the week ended August 15, totaled 125,308 units, an 11% gain over the preceding week's production of 112,432 cars, although Nash, for the sixth straight week and Kaiser, for the seventh, were idle. Current signs point to rising inventory of cars in the hands of dealers, with the situation being aggravated by the sluggishness of the used car market. Introduction of new car models about to make their appearance may stimulate third and fourth quarter sales, but even at that it begins to look as though it would take from four to six months, provided new and used car sales hold fairly steady, to clean out current inventories. Frankly, both the car builders and the parts suppliers are confronted with an ambiguous situation and it is possible that while operations through the balance of the year will come close to duplicating first half-year figures, production and earnings in the first quarter of next year could very well be considerably under first quarter 1953 levels.

While this is more or less a blanket statement, it applies to one company less than it does to another in the accessories group. Clark Equipment, for example, even though it losses some parts sales has its materials-handling equipment business, augmented by the Ross line, to fall back upon. Borg-Warner, strongly entrenched in the parts and equipment field and having a virtual monopoly as a producer of the increasingly popular over-drive, is also a manufacturer of household appliances, TV receivers and air conditioning equipment. In attempting to weigh the outlook for the so-called automotive parts makers, consideration must be given to the position they hold in other lines of manufacture.

(*Please turn to page* 688)

Auto Equipment & Defense Cutbacks

(*Continued from page* 686)

Space limitation precludes any attempt to discuss each and every one of the group at one time in these pages. Elsewhere, we present for the guidance of our readers, a compilation of sales, earnings, and other data on the individual companies usually classified as belonging to the auto parts industry, together with brief comments on earnings and dividend outlook through 1953.

Are Rubbers at Peak?

(*Continued from page* 671)

million, indicating that 1953 will be the fourth consecutive year in which sales hit a new high. Defense orders represent about 16 per cent of the current business, but the major gain reflects improved tire business and a heavier volume in foam rubber, plastics and chemicals. Capital expenditures in 1952 for expansion and modernization totaled $26 million, following 1951 expenditures of $21 million for the same purposes. U. S. Rubber's net for the first half of the current year of $2.23 a share for the common stock was more than sufficient to cover full year dividend requirements at the prevailing rate of $2.00 a share.

The Goodyear Tire & Rubber Co., set new high records for the first half of 1953 in both sales and earnings. Net sales of $616.3 million, surpassing those of any of its competitors in the same period, gained $47.4 million, or 8.3 per cent over the first six months of 1952. The 1953 sales volume produced net income equal to $4.92 a share of common stock. This compares with $3.21 a share to June 30, 1952, on the number of shares now outstanding. Goodyear's production for the military, while substantial, does not run as high in proportion to total net sales as some of its large competitors in the industry. Tires and tubes continue to constitute the biggest portion of its business, but it is pushing diversification in plastics and chemicals, and expanding sales in foam rubber and industrial rubber products. Goodyear's current dividend of $3.00 a share annually is well protected, and it is possible that cash disbursements to shareowners this year may again be augmented by a stock dividend equalling, perhaps, the 5% stock payment made at the end of 1952.

Firestone Tire & Rubber Co., second largest of the "big four" from the standpoint of sales, reported for the six months to April 30, last, net sales of $487.8 million, up by approximately $22 million, or 4.7 per cent from the same period in the preceding fiscal year. After providing a reserve of $1.9 million for earnings of certain foreign subsidiaries which cannot be remitted, net income for the 1952-53 first half was approximately $21 million, equal to $5.32 a share of common stock, compared to $4.81 a share in the first half of the preceding year. Like Goodyear, Firestone has a comparatively small amount of military business on its books, but net sales reflect principally the company's large tire and tube business, to which other rubber products, latex goods and plastics contribute. The company is also pushing diversification. Within the seven years to Oct. 31, 1952, capital expenditures for plant expansion and improvement totaled $209 million. Recent weakness in natural rubber market, if prolonged, may have an adverse bearing upon the company rubber production earnings from its Liberian plantations. However, tire manufacturers are of the opinion that natural rubber prices are likely to stage a recovery before long, in which event Firestone's earnings from sales of finished products in its diversified lines would not be impaired. In any event, the current fiscal year should turn out to be as profitable as the 1951-52 period in which earnings for the common stock were equal to $10.89 a share, again assuring broad coverage for the conservative $3.50 a share annual dividend rate.

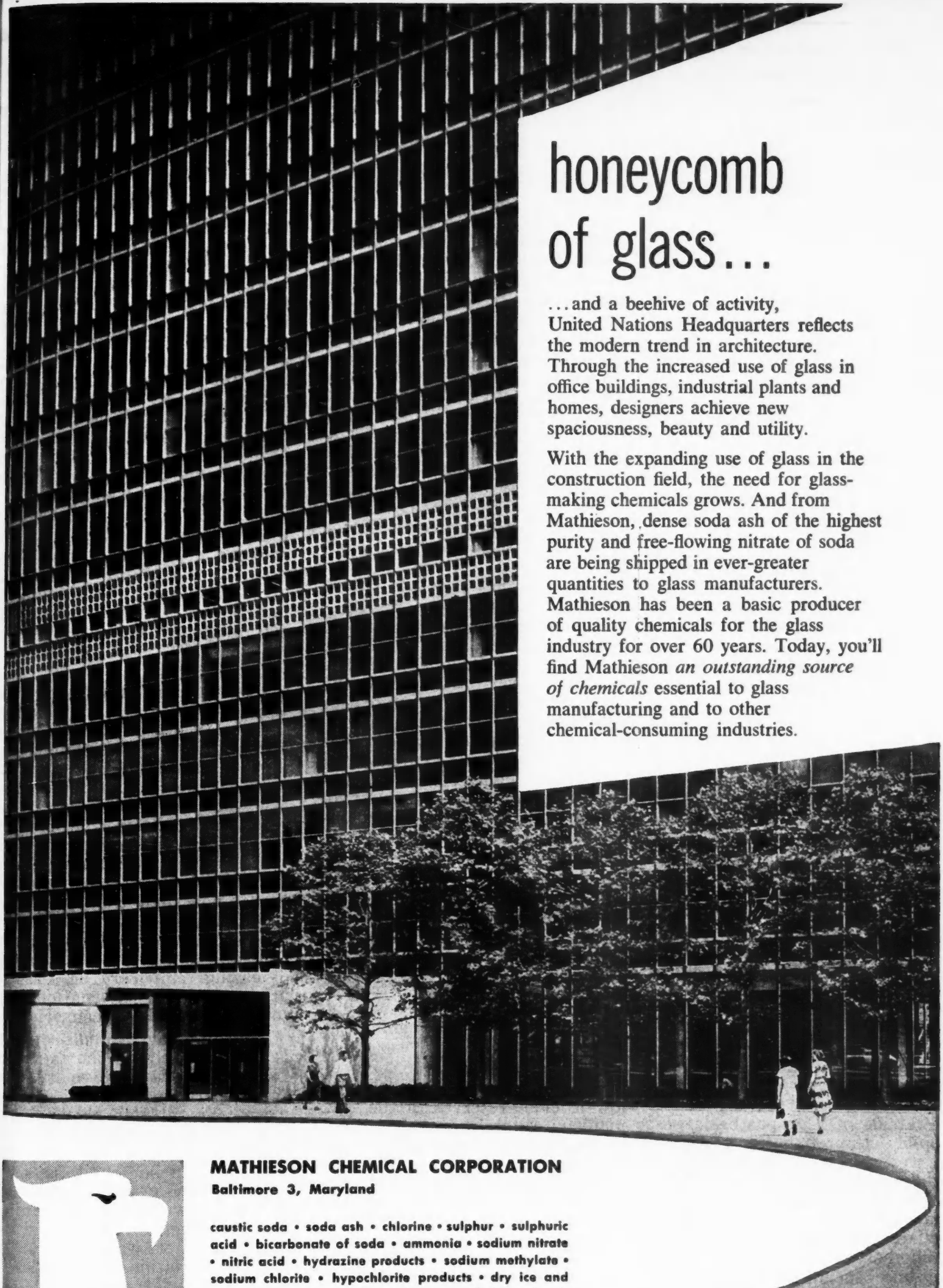
Chemical Field Exploited

While the "big four" of the industry, along with some of the smaller tire makers, have been steadily developing foam rubber products and expanding mechanical rubber goods markets, they have also been assuming an increasingly important position in the field of chemicals. Although none of the leaders provide a breakdown of capital expenditures made in recent years to show how much of the totals have gone into chemical plants it is estimated that a substantial percentage of overall expansion achieved in the postwar years has been in creating facilities for the production of chemicals with which is linked extensive basic research programs.

Some Examples

It was only last year that the B. F. Goodrich Co., through its B. F. Goodrich Chemical Co., completed a new plant for the production of general chemicals, and got production under way in mid-1952. At Calvert City, Ky., it has just about completed a new plant for the manufacture of raw materials to be used in the production of Geon plastics materials. Also during 1952, with Gulf Oil Corp., Goodrich formed Goodrich-Gulf Chemicals, Inc., to explore and develop promising projects in the petrochemical field. Goodrich's progress in chemicals has been pretty well matched by the other leaders in rubber. U. S. Rubber added another plant, the fifth, to fit into its growing business in plastic film and sheet and its Naugahyde upholstery material, and under its present program looks forward to chemicals and plastics becoming an increasingly important segment of its business. Firestone is reported to have achieved marked success with its Firestone Exon vinyl resins, including one type developed for the manufacture of pipe and other construction material with corrosion-resistant properties. Goodyear's development in chemicals and plastics has been extremely broad. Among its principal products in these fields are Pliobond, an adhesive cement, a line of resins, called Pliolite, for paints, coatings and other uses, and a vinyl-chloride processing resin.

In the accompanying tabulation of the "big four" and the smaller – by comparison – tire manufacturers, we present 1953 interim net sales and earnings, as well as figures for the last complete fiscal or calendar years. Of particular interest, we believe, is the difference in "net margin", or percentage of net income to per dollar of sales, among the group, and more particularly the contrast between some of the smaller tire makers and the generally recognized leaders in the industry.



$3 Billion Increase in Foreign Gold and Dollar Assets

(*Continued from page* 654)

the productivity of the British worker.

The second largest gainer of gold and dollar assets has been Germany. Its reserves—which had to be built up from virtually nothing—are now approaching the billion dollar level. But as a great commercial nation Germany needs these reserves for backing for her commerce; as was pointed out in the National City Bank July Monthly Letter, "If she had not earned them some artificial measures would have been necessary to afford protection against possible fluctuations in her balance of payments".

Germany's gains reflect primarily the great strides she has made in the five years following the currency reform of 1948, though U. S. economic aid, American troop spending and other American outlays have also helped. The maintenance of a free market economy made Germany quickly responsive to the world trade opportunities that developed after the outbreak of the Korean war. Later, hard work and a flexible economy allowed her to maintain and even expand her exports when the general expansion of international trade came to a halt and when other countries, such as Great Britain and France, began to lose some of their markets.

The third largest gainer of gold and dollar reserves since the spring of 1952 has been the Netherlands. That country benefited greatly from the comeback of Germany; the main reason for her gains, however, was the courageous action taken in the spring of 1951 by which the Netherlands managed without much restriction of its foreign trade.

Outside of Europe the largest gainer has probably been Japan; its reserves went up some $200 million in the fifteen-month period ending last June. Japan manages to earn large sums of dollars, estimated at $300 to $350 million a year, as a result of U. S. military spending. However, in recent months Japan has been forced to use these dollar earnings to plug up her trade deficits with the sterling area and with other countries. While Japanese imports have been rising, Japanese exports to the raw material producing countries have fallen off. If U. S. Government expenditure in Japan should decline some day, there will be a tough problem to solve.

The most significant point brought out by the above table, however, is that the raw material producing countries have hardly begun to rebuild their gold and dollar balances, which were drawn down seriously during the post-Korean buying spree. As a matter of fact, the gold and dollar assets of many of these countries – Argentina, Iran, Indonesia, Egypt, to name a few—are lower than they were in the spring of 1952. In the case of Brazil, a small improvement in the official holdings of gold and dollars has been offset by a sharp increase in private dollar debt. The balance of payments of all these countries is still under pressure either for political reasons (flight of capital) or because internal inflation has priced their products out of international markets.

Where improvement has taken place, as in the case of India, Australia, and Uruguay, this has been due either to recovery in the prices of exported commodities (wool, jute, etc.) or to measures adopted to control inflation. Finally there are some raw material countries, such as Venezuela, Saudi Arabia, and the Belgian Congo, which have continued to accumulate balances here because of special situations. Colombia and El Salvador, both of which have been benefiting from high coffee prices, have also added to their gold and dollar holdings despite the fact that their imports from the United States continue at very high levels. The same is true of Thailand, which is one of the rapidly expanding economies in Southeast Asia with a reasonably stable government.

It is obvious that the generally low level of reserves in the raw material countries makes it highly unlikely that they will be in any position to "start the ball rolling" by expanding their purchases from industrial countries, including the United States. They could do so only (a) if the prices of their export products were to recover from the present low levels, or (b) if they could make up in volume for the drop in prices. But many raw material producing countries are crippled in this respect by internal inflation and by the over-valuation of their currencies.

The Adequacy of Monetary Reserves

One may assume, therefore, that it is the industrial countries, the countries which have benefited largely from the accumulation of gold and dollars, that will have to "start the ball rolling" by increasing their purchases from the raw material countries. There is plenty of purchasing power in the industrial countries and much potential demand still to be satisfied. For example, the per capita consumption of coffee and cocoa in Western Europe is still below the prewar level. Western European coffee consumption could easily double if prices were lower and import restrictions eased.

This brings us to the crux of the problem: just what level the gold and dollar reserves must attain before a country is likely to give consideration to liberalizing import and exchange restrictions and ultmately to currency convertibility.

The problem was discussed in a recent report prepared by the International Monetary Fund at the request of the United Nations and also in the latest annual report of the Bank for International Settlements. Both institutions point out that adequacy of reserves will differ from country to country and from problem to problem. But they agree that in general larger reserves may be needed now than in the past, even though the Monetary Fund has at its disposal well over $3 billion in gold and dollars for the purpose of easing temporary or seasonal pressures on the international accounts of individual countries.

The Monetary Fund's opinion is based largely on the fact that "world trade is more volatile and the exports of most countries more vulnerable to sharp downward swings now than was the case in 1938." One reason for this situation can be found, says the report, in the greater dependence of the free world upon the United States market, for in the past the U. S. market was subject "to greater variation than those in most industrial countries." The United States is described as now accounting for some 15 per cent of world imports, compared with

(*Please turn to page* 692)

American Investment Company
OF ILLINOIS

AICO OF ILLINOIS

Highlights
from the Semi Annual report

	June 30, 1953	June 30, 1952
Gross Earnings	$ 16,895,057	$ 15,453,259
Operating Expenses	$ 10,325,876	$ 9,741,419
Income Taxes	$ 3,636,401	$ 3,123,770
Minority Interest in Earnings	$ 217,547	$ 192,610
Net Earnings	$ 2,715,233	$ 2,395,460
Preferred Dividends	$ 257,989	$ 94,687
Number of Common Shares	2,064,786	1,996,267
Earnings Per Common Share	$1.19	$1.15
Dividends Per Common Share	$ .80	$ .80
Total Loans Made	$112,036,212	$115,020,972
Number of Loans Made	346,791	367,300
Average Loan Made	$323	$313
Notes Receivable Outstanding	$140,815,667	$128,705,052
Number of Branch Offices	292	275

From the President:

Both gross and net earnings are at an all-time high for American Investment. Our net earnings for the first six months of this year were 13 per cent higher than our net earnings for the first six months of last year.

While our total operating expenses increased, they represented a smaller per cent of gross income during the first half of 1953 as compared with the first half of 1952. The result of this increased efficiency is our favorable picture of net earnings.

There is an old axiom that the strength of the whole is dependent upon the strength of its parts. Similarly, the strength of consumer credit depends upon the soundness of the credit in each individual loan.

So long as we continue to select our borrowers with prudence, and other lenders do likewise, the national total of consumer credit will remain sound, adding strength to our economy. This policy, in short, will forestall any over extension of consumer credit.

Very truly yours,

Donald L. Barnes

President

Condensed Consolidated Balance Sheet

ASSETS

	June 30, 1953	June 30, 1952
Cash	$ 13,384,599	$ 11,891,264
Installment Notes Receivable—Net	135,630,461	123,812,484
Accrued Interest and Other	1,046,477	1,209,704
Total Current Assets	150,061,537	136,913,452
Property—net book value	1,355,752	1,272,021
Other Assets and Deferred Charges	4,193,314	3,817,240
Total	$ 155,610,603	$ 142,002,713

LIABILITIES

	June 30, 1953	June 30, 1952
Notes and Debentures Payable	$ 52,887,000	$ 44,083,000
Accounts and Taxes Payable	7,154,522	6,545,495
Total Current Liabilities	60,041,522	50,628,495
Long Term Senior Debt	44,800,000	47,600,000
Long Term Subordinated Debt	12,150,000	8,600,000
Minority Interest	3,980,473	4,472,064
Capital Stock and Surplus	34,638,608	30,702,154
Total	$ 155,610,603	$ 142,002,713

COMMON STOCK LISTED ON NEW YORK AND MIDWEST STOCK EXCHANGES (AMT)

Copy of Detailed Semi-Annual Report Available upon Request at Executive Offices, 1112 Ambassador Bldg., St. Louis 1, Missouri

PLC PUBLIC LOAN CORPORATION

LSC LOAN SERVICE CORPORATION

GPL GENERAL PUBLIC LOAN CORPORATION

DOMESTIC LOANS FINANCE DOMESTIC FINANCE CORPORATION

OFC OHIO FINANCE COMPANY

Financing the Consumer Through Nationwide Subsidiaries

$3 Billion Increase in Foreign Gold & Dollar Assets

(*Continued from page* 690)

10 per cent in 1938 and 13 per cent in 1928.

The report of the Bank for International Settlements also argues that larger gold and dollar reserves are needed, basing its opinion on the fact that these reserves must now perform functions which, prior to the First World War and even during the inter-war period, were performed by short-term capital movements. In the old days even minor changes in interest and exchange rates would stimulate a flow of short-term credit capable of smoothing over the temporary dislocations in international payments. This is no longer the case.

But the main reason why foreign countries, especially those of Western Europe, are not rushing to spend their newly accumulated gold and dollar balances, is concern over the future. They fear—to quote again from the National City Bank Letter—that "with the period of economic aid and other heavy U. S. Government outlays gradually coming to an end . . . the bulk of their future dollar supply will have to be earned through private business transactions. They are therefore concerned over what they interpret as signs of reviving protectionist sentment here . . ."

Even more, however, they are afraid of a business recession in the United States, and they want to face what they regard as a period of uncertainty with as big a nest-egg as possible. The experts who prepared the Fund's Report on the "Adequacy of Reserves" estimated that "in the event of a depression in the United States involving a fall in industrial production of the same relative magnitude as that which occurred in the depression of 1937-38, the rest of the world would need to draw on its reserves to the extent of $8 billion to maintain its commodity imports from the United States at the level of the first half of 1951 during a depression lasting for two years from its inception to its conclusion." To this, according to the experts, should be added another $2 billion to cover the anticipated decline in current account payments by the U. S. for invisibles and in private capital outflow from this country.

The experts may be unduly pessimistic about the size of reserve cushion needed. Currency and import restrictions would certainly be brought into operation; besides, the world may be getting more independent of our products than the experts assume. Nevertheless, the size of the reserve loss they think possible—$10 billion – brings home what a far-reaching effect a severe recession in the United States could have on the rest of the free world.

50 Leading Companies

(*Continued from page* 645)

have been several exceptions, of course, due to exceptional circumstances. American Viscose has been affected by adverse conditions in the textile industry. Even in this extreme case, it is significant that the company retained a very large part of its normal earning power when lesser companies in the same field met with great difficulties, some being forced to curtail dividends. This is an example of how a thoroughly entrenched concern may make a relatively good showing even when general conditions affecting its industry are adverse.

A break-down of the earnings record of the twenty-five companies listed in the first installment of the table shows that the most consistent earners, either with respect to steadiness of gains or demonstrated stability were: Allied Chemical, Amer. Tel. & Tel., Atchison, Boeing, Consolidated Edison, Dow, duPont, General Electric, General Foods, General Motors, Goodrich, Gulf Oil, International Business Machines and International Nickel.

The only company to have fallen behind in earnings during the seven-year period was American Tobacco and this, in no way, was a reflection of the internal position of the company, the drop in earnings in recent years simply being due to the effects of price control during the Korean war and up to the inauguration of the new Administration. With controls off, the company should eventually be able to retrieve its old profit margin and, consequently, earnings.

Companies which showed some degree of irregularity in earnings performance, especially in the

past two years have been American Can, American Viscose, Anaconda and International Paper. Some companies which showed rather sharp fluctuations in earnings, such as Aluminum Co. of America, Bethlehem Steel, Chrysler, Eastman Kodak and Goodyear have either forged rapidly ahead in the past year or maintained the bulk of their earning power.

In the next issue, we will continue with a discussion of the earnings trends of the remaining twenty-five companies, together with a review of the financial position of the entire group of fifty.

Political-Economic Dangers in Super Labor Union

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702,000 members. Internal dissension caused its decline. By 1896 it ceased to be more than a memory.

Through the First World War labor gained strength but wielded scant political power; during the Great Depression it lost well nigh everything but, with the advent of the Roosevelt Administration and, especially the National Industrial Recovery Act, special recognition and affirmative aid were given by the Government. But the seeds of dissension grew with prosperity and, in 1935, ten affiliated AFL unions formed the Committee for Industrial Organization designed to promote unionism among the mass-production workers. In 1936 the AFL suspended the dissident unions and in 1938 the group became the Congress of Industrial Organizations and held its first convention.

Since then races for membership have continually been engaged in and intense rivalries have burgeoned. Unions affiliated with both big groups have raided each other's adherents. In general, the CIO unions have leaned more strongly to the left; indeed, the CIO found it necessary to eject some unions as being outright Communist. The AFL has remained conservative. But both sides have engaged, with a mounting crescendo of activities in partisan political politics. But always there have been the inner tensions. While it seldom emerged into open discussion or into print,

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Political Economic Dangers in Super Labor Unions

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there was a period under the CIO Presidency of Philip Murray when the Catholic question loomed large. It still is present but is repressed.

In these years of growing strength and influence when union membership reached into the millions probably the most notable phenomenon was the emergence of individuals. There had been the great adventure of the United Mine Workers whose dramatic chief, John L. Lewis, became head of the CIO and a national figure and then withdrew to half-sulky independence. There was the period when, about the beginning of the Korean adventure, both CIO and AFL created a joint body to cooperate with the Government only to withdraw when the leaders did not feel that labor was given an even share of representation and responsibility with capital.

And now, both great groups, aggregating some 15,000,000 workers, through their executive councils have agreed upon a fresh program of unity. The first step has been taken, undertakings not to raid each other's unions for membership. In September the AFL convention will ratify the no-raiding pact; in November the CIO convention will do likewise. In January the matter will be referred for final adoption to all the constituent unions. With the smoothest conceivable progress, final acceptance would take another year. It may be another decade; it may be never!

Already the gravest dislocations have occurred to mar smooth progress. The Carpenters have seceded from the AFL. The AFL has been forced by public opinion to discipline the Longshoremen. Expulsions, defections, characterize the progress to a greater extent than harmony and practically all arising from striking personalities, from individual ambitions. The details cannot be compressed into a short space; only the blatantly outstanding implications can be shown. There is not space even for a roster of the more important rivals.

Labor's League for Political Education, established by the AFL and the CIO's Political Action Committee openly seek to control American politics but, despite all protestations, all outward seeming, they are adversaries on many points. It is a curious thing that many members of Congress show the utmost timidity before labor and yet it is the exception rather than the rule for labor to decide even a Congressional District election! But labor is increasingly articulate; it spends large sums of money; right now it is avowedly gathering money and forces to change the complexion of Congress.

There is no doubt that a super labor union in the United States would present a danger to our political and economic institutions. However, a considered judgment must be that the time is yet a long way off when there will be an overshadowing Labor Party in the United States. A further judgment is inescapeable that a strong if not a controlling reason for such a failure will be persistence of that fundamental American trait, intense individuality. The great men in labor themselves prevent labor as a party becoming overwhelmingly great! As long as they continue to take that course, the danger of a super labor union coming to life in this country will be submerged.

Weighing Significance of Drop in New Orders and Shrinking Backlogs

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booms in capital and consumer markets.

This conclusion takes on added significance in view of the fact that new orders themselves, while they too are running at very high levels, appear to have reached and perhaps even passed a peak. In

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Drop in New Orders Shrinking Backlogs

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the fourth quarter of 1952 and the first quarter of 1953 the rate of ordering in durables industries rose sharply out of the trough imposed by the steel strike of mid-1952. In the second quarter of 1953 the rate of gain diminished almost to zero. And the pronounced flattening out in industral ordering is not just a statistical technicality. It is confirmed in a whole battery of government figures and reports.

The outlook for the combined base of business activity — backlogs, plus the rate of new orders— may thus have passed into a declining trend. In fact, the total of unfilled orders at the beginning of the month, plus new orders during the month, has been declining steadily and at a considerable rate ever since February. This is particularly true of machinery industries, where the rate of decline has been rapid enough to be a matter of serious concern to investors, but it is also a general and pervasive condition within the entire durables sector.

At the same time, the supply side of the business equation has been growing increasingly heavy. As of the end of June, the rate of industrial production, as measured by the Federal Reserve index, was still running very close to its peak postwar rate of 243% of the 1935-1939 average reached in March. The production rate fell off in July, because of extended vacations and inventory-taking, but it has risen again in August, and is apparently running at only a percentage point or so below its March level. Sales to final consumers, however, are not keeping pace with production, and inventories have been rising at a significant pace.

Inventory growth is, in fact, the most prominent and immediate reason for suspicion about the current levels of business activity. In the second quarter of 1952, increases in stocks of manufacturers, retailers and wholesalers amounted to between $2 and $2.5 billion, about three times as great as in the previous quarter, and faster than at any time since the end of the inventory boom of early 1951. Most of the rise is concentrated in durables industries, although nondurables manufacturers have also been accumulating stocks in recent months.

As of July 1, the larger rises in durables inventory were among those industries with the larger rises in unfilled orders since Korea. This would be expected, since higher unfilled orders mean higher production rates, which in turn mean a need for higher working stocks of raw materials and goods-in-process. However, there is considerable evidence that other and less favorable reasons lie behind the recent inventory growth. The Department of Commerce itself has suggested that inventory growth has already become partly involuntary, may stop altogether over the next several months, and may even go into reverse — that is, into inventory liquidation.

Since their peak at about the turn of the year, durables backlogs have subsided about 5%, and inventories have risen by about 9%. But in a large number of nondefense industries the proportions are much more serious than this. For example, in metal fabricating industries as a group, inventories have advanced well over 20%, while backlogs have fallen off about 10%. In nonelectrical machinery industries, where backlogs have fallen an average of about 25% over the past year, inventories have actually risen slightly where one might reasonably have expected a significant decline if healthy inventory conditions prevailed. In many of these industries, recent rises in inventory are traceable to accumulation of steel stocks in anticipation of a general rise in steel prices that materialized in June. In the main, however, the advances have not been in raw materials stocks, but in finished goods. This is the most suggestive symptom of the inventory condition of the business system, and the clearest indication that manufacturing rates are not being supported by equally successful selling rates.

All of the danger symptoms discussed above can be found to have existed in the middle of 1948, when the seeds of a moderately severe recession were already planted and growing. Then, as now, inventory was rising, backlogs were relatively high but falling, and new orders and sales had flattened out. The ensuing recession of 1949 was only moderately severe because it was confined to an inventory adjustment. Other segments of demand held up strongly, in the main because they were still supported by backlog demands built up during the war. Sales of automobiles and homes, after a brief hesitation with the onset of recession, began to recover very quickly, and gave strong support to the whole economy by late 1949.

This time, however, neither automobile demand nor demand for housing can be expected to resist recession as they did in 1949, since both of these markets have long since obliterated any backlogs held over from World War II. Moreover, trends in two other major segments of the economy, capital goods and defense itself, are now not in a position to resist a general recession. In these circumstances, the continuing decline of durables backlogs and the steady rise of inventory are warning signals.


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